

State of Colorado



Bill Owens

Governor

Troy A. Eid

Executive Director

Paul Farley

Deputy Executive Director

Richard Pennington

Division Director

Arthur L. Barnhart

State Controller

DPA

Department of Personnel & Administration

Division of Finance & Procurement State Controller's Office

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October 4, 2002

The Honorable Bill Owens Governor 136 State Capitol Building Denver, Colorado 80203

Dear Governor Owens:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with 24-30-204 CRS. The financial statements are prepared in accordance with generally accepted accounting principles; those principles mandated significant changes to the content and format of the statements for Fiscal Year 2001-02. The financial statements are unaudited. An auditor's opinion is anticipated by late October 2002 and will be included in the Comprehensive Annual Financial Report that our office expects to issue in November 2002.

If you have questions please contact me.

arthur Bambart

Sincerely,

Arthur L. Barnhart State Controller

Attachment

cc: Senator Stan Matsunaka, President of the Senate Representative Doug Dean, Speaker of the House Troy A. Eid, Department of Personnel and Administration Nancy McCallin, Office of State Planning & Budgeting

STATE OF COLORADO BASIC FINANCIAL STATEMENTS

JUNE 30, 2002

CONTENTS

	Page
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	5 6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Statement of Net Assets	10
Statement of Revenues, Expenditures, and	
Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	25
Statement of Net Assets – Component Units	26
Statement of Changes in Net Assets – Component Units	27
NOTES TO THE FINANCIAL STATEMENTS:	
Notes 1 Through 7 – Summary of Significant Accounting Policies	
Note 1 – Government-Wide Financial Statements	28
Note 2 – Reporting Entity	28
Note 3 – Basis of Presentation – Government-Wide Financial Statements	29
Note 4 – Basis of Presentation - Fund Financial Statements	30
Note 5 – Basis of Accounting	32
Note 6 – Accounting Policies Affecting Specific Assets, Liabilities, and Net Assets	33
Note 7 – Accounting Policies Affecting Revenues, Expenditures/Expenses	37
Notes 8 And 9 – Stewardship, Compliance, and Accountability	
Note 8 – Legal Compliance	39
Note 9 – Fund Balance and Net Assets Deficits	40
Notes 10 Through 18 – Details of Asset Items	
Note 10 – Cash and Pooled Cash	41
Note 11 – Noncash Transactions in the Proprietary Fund Types	41
Note 12 – Receivables	42
Note 13 – Inventory	43

Note 14 – Prepaids, Advances, and Deferred Charges	43
Note 15 – Investments	43
Note 16 – Treasurer's Investment Pool	46
Note 17 – Capital Assets	46
Note 18 – Other Long-Term Assets	48
1100 To Other Long Term 7 Backs	10
Notes 19 Through 26 – Details of Liability Items	
Note 19 – Pension System and Obligations	49
Note 20 – Post Retirement Health Care and Life Insurance Benefits	50
Note 21 – Other Employee Benefits	51
Note 22 – Risk Management	54
Note 23 – Lease Commitments	57
Note 24 – Short-Term Debt	59
Note 25 – Notes and Bonds Payable	59
Note 26 – Changes in Long-Term Liabilities	61
Note 27 – Defeased Debt	63
110to 27 Defeased Deot	03
Notes 28 Through 29 – Details of Net Assets and Fund Equity	
Note 28 – Prior Period Adjustments and Other Restatements	64
Note 29 – Fund Equity	65
1. 3	
Note 30 – Interfund Receivables and Payables	66
Note 31 – Transfers Between Funds	67
Note 32 – On-Behalf Payments and Unusual or Infrequent Transactions	68
Note 33 – Donor Restricted Endowments	69
Note 34 – Segment Information.	69
Note 35 – Component Units	71
Note 36 – Related Organizations	71
Note 37 – Contingencies	73
Note 38 – Subsequent Events	75 75
Note 36 – Subsequent Events	13
REQUIRED SUPPLEMENTARY INFORMATION:	
Budget and Actual Schedules – Budgetary Basis:	
Schedule of Revenues, Expenditures, and	-
Changes in Fund Balances – General Funded	78
Schedule of Revenues, Expenditures/Expenses, and	
Changes in Fund Balances/Net Assets – Cash Funded	80
Schedule of Revenues, Expenditures/Expenses, and	
Changes in Fund Balances/Net Assets – Federally Funded	81
Budget to GAAP Reconciliation	82
General Fund Schedule of Revenues, Expenditures, and	
Changes in General Fund Surplus – Budget and Actual - Budgetary Basis	85
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:	
Note RSI-1. Budgetary Information	86
Note RSI-2 Infrastructure Assets Reported Under the Modified Approach	87



STATEMENT OF NET ASSETS JUNE 30, 2002

PRIMARY GOVERNMENT

(DOLLARS IN THOUSANDS)	GOVERNMENTAL	BUSINESS-TYPE		COMPONENT
	ACTIVITIES	ACTIVITIES	TOTAL	UNITS
ASSETS:				
Cash and Pooled Cash	\$ 571,293	\$ 1,210,953	\$ 1,782,246	\$ 113,202
Taxes Receivable, net	848,335	36,237	884,572	494
Other Receivables, net	140,581	898,137	1,038,718	116,215
Due From Other Governments	374,595	74,061	448,656	344
Internal Balances	20,287	(20,287)	- F2 210	- 076
Inventories	16,895	35,315	52,210	6,876
Prepaids, Advances, and Deferred Charges Restricted Assets:	99,893	22,441	122,334	3,378
Restricted Cash and Pooled Cash	1,318,640	22,521	1,341,161	21,558
Restricted Investments	-	141,179	141,179	151,004
Restricted Receivables	_			46,397
Investments	1,142,818	662,307	1,805,125	254,525
Other Long-Term Assets	206,003	67,071	273,074	558,927
Depreciable Capital Assets and Infrastructure, net	1,158,214	1,901,365	3,059,579	460,443
Land and Nondepreciable Infrastructure	10,827,222	651,292	11,478,514	20,651
TOTAL ASSETS	16,724,776	5,702,592	22,427,368	1,754,014
LIABILITIES: Due Within One Year:				
Tax Refunds Payable	412,640	-	412,640	_
Accounts Payable and Accrued Liabilities	604,611	188,839	793,450	65,493
TABOR Refund Liability (Note 8B)	20,320	-	20,320	-
Due To Other Governments	172,691	17,717	190,408	2,532
Deferred Revenue	84,906	138,382	223,288	, 755
Accrued Compensated Absences	4,298	8,526	12,824	6,908
Claims and Judgements Payable	35,576	· -	35,576	4,872
Leases Payable	1,298	3,840	5,138	-
Notes, Bonds, COP's Payable	19,530	97,214	116,744	29,705
Other Current Liabilities	37,050	89,335	126,385	
Total Current Liabilities	1,392,920	543,853	1,936,773	110,265
Due In More Than One Year:				
Deposits Held In Custody For Others	12	-	12	-
Accrued Compensated Absences	113,851	121,127	234,978	-
Capital Lease Obligations	2,175	42,936	45,111	
Notes, Bonds, COP's Payable	1,328,072	1,199,871	2,527,943	734,071
Other Long-Term Liabilities	263,034	144,027	407,061	144,895
Total Noncurrent Liabilities	1,707,144	1,507,961	3,215,105	878,966
TOTAL LIABILITIES	3,100,064	2,051,814	5,151,878	989,231
NET ACCETS.				
NET ASSETS: Invested in Capital Assets , Net of Related Debt	10,652,262	2,028,454	12,680,716	248,233
Restricted for:	10,032,202	2,020,737	12,000,710	۷٦٠,۷
Highway Construction and Maintenance	1,376,521	_	1,376,521	_
State Education	303,827	_	303,827	_
Unemployment Insurance	-	659,742	659,742	-
Debt Service	6,495	2,614	9,109	-
Emergencies	109,138	38,813	147,951	91
Permanent Funds and Endowments:	,	,	,	
Expendable	810	44,570	45,380	-
Nonexpendable	356,249	49,919	406,168	-
Court Awards and Other Purposes	16,006	188,786	204,792	271,032
Unrestricted	803,404	637,880	1,441,284	245,427
TOTAL NET ASSETS	\$ 13,624,712	\$ 3,650,778	\$ 17,275,490	\$ 764,783

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2002

		Expe	nses		Program Revenues					
]	Indirect			Operating			Capital
				Cost		Charges for	G	rants and	Grants and	
Functions/Programs	Expenses Allocation			Services	Co	ntributions	Cor	ntributions		
Primary Government:										
Governmental Activities:										
General Government	\$	234,673	\$	(22,463)	\$	75,132	\$	93,642	\$	-
Business, Community, and										
Consumer Affairs		250,481		2,573		99,590		161,388		292
Education		284,116		1,520		7,436		327,951		50
Health and Rehabilitation		468,834		1,309		61,639		236,474		-
Justice		952,059		5,261		97,551		52,527		25,503
Natural Resources		102,381		1,420		56,780		54,312		-
Social Assistance		2,613,638		3,010		37,459		2,093,700		-
Transportation		747,835		2,218		215,385		122,915		326,280
Payments to School Districts		2,689,452				-		-	-	
Payments to Other Governments		1,596,066		-		-		-		-
Interest on Debt		16,750		-		-	_			-
Total Governmental Activities		9,956,285		(5,152)		650,972		3,142,909		352,125
Business-type Activities:										
Higher Education		2,944,627		3,658		1,347,556		876,524		44,136
Unemployment Insurance		577,455				366,226		46,570		-
Student Obligation Bond Authority		41,351		-		44,846		10,589		-
Lottery		349,553		402		408,109		6,228		-
Other Business-types		228,681		1,092		154,184		87,983		-
Total Business-type Activities		4,141,667		5,152		2,320,921		1,027,894		44,136
Total Primary Government	_	14,097,952		-		2,971,893		4,170,803		396,261
Component Units:				_						
University of Colorado Hospital Authority		320,671		_		329,897		_		34,302
Denver Metropolitan Baseball Stadium District		15,539		_		1,195		_		J-7,302 -
Colorado Water Resources and		13,339		-		1,193		_		_
Power Development Authority		31,621		_		21,263		62,008		_
CoverColorado		14,737		_		7,205		02,000		_
Total Component Units	-	382,568	\$		-	359,560	\$	62,008	\$	34,302
rotal Component Onits	\$	302,508	\$		\$	339,300	>	02,008	\$	34,302

General Revenues:

Taxes:

Sales and Use Taxes

Excise Taxes

Individual Income Tax

Corporate Income Tax

Other Taxes

Restricted for Education:

Individual Income Tax

Corporate and Fiduciary Income Tax

Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings

Other General Revenues

Payment from State of Colorado

Extraordinary Item (Note 32)

(Transfers-Out) / Transfers-In Internal Capital Contributions

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment (Note 28)

Accounting Changes (Note 28)

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

		Prima	ry Government					
			••					
	Activities		Activities		Total	Units		
\$	(43,436)	\$	-	\$	(43,436)			
	8,216		-		8,216			
	49,801 (172,030)		-		49,801 (172,030)			
	(781,739)		-		(781,739)			
	7,291		-		7,291			
	(485,489)		-		(485,489)			
	(85,473)		-		(85,473) (2,689,452)			
	(2,689,452) (1,596,066)		-		(1,596,066)			
	(16,750)		-		(16,750)			
	(5,805,127)		-		(5,805,127)			
	_		(680,069)		(680,069)			
	-		(164,659)		(164,659)			
	-		14,084		14,084			
	-		64,382		64,382			
	-		12,394 (753,868)		12,394 (753,868)			
			(733,000)		(733,000)			
	(5,805,127)		(753,868)		(6,558,995)			
	_		_		_	43,528		
	-		-		-	(14,344)		
	-		-		-	51,650 (7,532)		
	-		-		_	73,302		
	1,881,161		_		1,881,161	1,510		
	91,761		-		91,761	-		
	3,168,499		-		3,168,499	-		
	172,257		-		172,257	-		
	363,190		-		363,190	-		
	258,329		-		258,329	-		
	14,571		-		14,571	-		
	544,554		_		544,554	-		
	780		-		780	-		
	37,236		-		37,236	22,906		
	122,527		-		122,527	-		
	(21,000)		-		(21,000)	7,959		
	(662,141)		662,141		-	-		
	25		151,465		151,490	_		
	5,971,749		813,606		6,785,355	32,375		
	166,622		59,738		226,360	105,677		
	5,457,647		4,887,925		10,345,573	659,106		
	(172,615)		77,205		(95,411)	-		
\$	8,173,058 13,624,712	\$	(1,374,090)	\$	6,798,968 17,275,490	\$ 764,783		
Þ	13,024,/12	Þ	3,650,778	Þ	17,273,490	\$ 764,783		

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2002

(DOLLARS IN THOUSANDS)	(GENERAL		PUBLIC SCHOOL		HIGHWAY USERS TAX
ASSETS:						
Cash and Pooled Cash	\$	(525,501)	\$	19,243	\$	16,260
Taxes Receivable, net	Ψ.	735,993	Ψ.	-	Ψ.	56,596
Other Receivables, net		90,602		_		17,886
Due From Other Governments		256,149		1,504		88,109
Due From Other Funds		36,113		12,670		5,728
Inventories		9,131		12,070		6,939
Prepaids, Advances, and Deferred Charges		20,768				73,737
Restricted Cash and Pooled Cash		20,700		_		1,302,534
Investments		552,242		_		1,302,354
Other Long-Term Assets		320				27,009
Land and Nondepreciable Infrastructure		520		_		27,009
•		== -:-				. == : == :
TOTAL ASSETS	\$	1,175,817	\$	33,417	\$	1,594,798
LIABILITIES:						
Tax Refunds Payable	\$	411,166	\$	-	\$	316
Accounts Payable and Accrued Liabilities		377,972		4,041		134,881
TABOR Refund Liability (Note 8B)		20,320				
Due To Other Governments		42,923		12,105		49,760
Due To Other Funds		38,499		92		1,206
Deferred Revenue		69,605				12,842
Accrued Compensated Absences		82		-		-
Claims and Judgements Payable		656		-		-
Other Current Liabilities		9,156		-		27
Deposits Held In Custody For Others		5		-		-
TOTAL LIABILITIES		970,384		16,238		199,032
FUND BALANCES: Reserved for:						
Encumbrances		2,093		-		879,411
Noncurrent Assets		320		-		27,009
Debt Service		-		-		-
Statutory Purposes		39,622		-		-
Emergencies		-		-		-
Funds Reported as Restricted		-		-		464,474
Unreserved, Reported in:						
General Fund		136,702		-		:
Special Revenue Funds		-		17,179		12,739
Capital Projects Funds		-		-		
Nonmajor Special Revenue Funds		-		-		-
Nonmajor Permanent Funds		-		-		-
						:
Unreserved:						
Unreserved: Designated for Unrealized Investment Gains		26,696		-		12,133
		26,696 205,433		- 17,179		12,133 1,395,766

	CAPITAL ROJECTS		TATE CATION	GO\	OTHER /ERNMENTAL FUNDS	TOTAL
\$	185,435 - 255	\$	58,757 - 1,959	\$	808,720 55,746 29,628	\$ 562,914 848,335 140,330
	23,969 2,430 -		- - -		4,780 45,884 193	374,511 102,825 16,263
	3,309 - -	2	- - 43,590		1,368 16,106 336,683	99,182 1,318,640 1,132,515
	180		-		178,494 11,957	206,003 11,957
\$	215,578	\$ 3	04,306	\$	1,489,559	\$ 4,813,475
\$	- 43,573	\$	- 479	\$	1,158 37,639	\$ 412,640 598,585
_	-		-		30,799	20,320 135,587
	2,437 364		-		77,339 39,857	119,573 122,668
	- - -		- - -		2 13,920 2,553 7	84 14,576 11,736 12
	46,374		479		203,274	1,435,781
	115,347 180		- -		217,862	996,851 245,371
_	14,328		-		6,495	6,495 53,950
		3	- 01,362		109,138 353,288	109,138 1,119,124
	- - 39,100		-		- - -	136,702 29,918 39,100
	-		-		564,380 810	564,380 810
_	249		2,465		34,312	75,855
_	169,204		03,827		1,286,285	3,377,694
\$	215,578	\$ 3	04,306	\$	1,489,559	\$ 4,813,475

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET ASSETS JUNE 30, 2002

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUND	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:	. 500.044							
Cash and Pooled Cash Investments	\$ 562,914	\$ 8,379 10,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 571,293 10,303
Taxes Receivable, net	848,335	10,303	-	-	-	-	-	848,335
Other Receivables, net	140,330	251	-	-	-	-	=	140,581
Due From Other Governments	374,511	84	-	-	-	-	-	374,595
Due From Other Funds	102,825	98	-	-	-		(82,636)	20,287
Inventories	16,263	632	-	-	-	-	-	16,895
Prepaids, Advances, and Deferred Charges	99,182	711	-	-	-	-		99,893
Total Current Assets	2,144,360	20,458	-	-	-	-	(82,636)	2,082,182
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,318,640	-	-	-	-	-	-	1,318,640
Investments	1,132,515	=	-	-	=	=	=	1,132,515
Other Long-Term Assets	206,003		- 4 405 024	-	-	-	-	206,003
Depreciable Capital Assets and Infrastructure, net Land and Nondepreciable Infrastructure	- 11,957	53,190	1,105,024 10,815,265	-	_	-	-	1,158,214 10,827,222
Total Noncurrent Assets	2,669,115	53,190	11,920,289				-	14,642,594
		73,648	11,920,289				(02.626)	16,724,776
TOTAL ASSETS	4,813,475	73,048	11,920,289	-	-	-	(82,636)	16,724,776
LIABILITIES: Current Liabilities: Tax Refunds Payable Accounts Payable and Accrued Liabilities TABOR Refund Liability (Note 8B) Due To Other Governments	412,640 598,585 20,320 135,587	5,910 - -	:	- 116 -	- - - -	- - - 37,104	:	412,640 604,611 20,320 172,691
Due To Other Funds	119,573	167	_	_	_	(37,104)	(82,636)	1,2,031
Deferred Revenue	122,668	734	-	-	-	(38,496)	-	84,906
Accrued Compensated Absences	84	12	-	-	-	4,202	-	4,298
Claims and Judgements Payable	14,576	-	-	-	-	21,000	-	35,576
Leases Payable	-	-	-	1,298	-	-	-	1,298
Notes, Bonds, COP's Payable Other Current Liabilities	11 726	13,230	-	6,300	- 25,314	-	-	19,530
	11,736	20.052		7.744	· · · · · ·	(42.204)	(02.626)	37,050
Total Current Liabilities	1,435,769	20,053	-	7,714	25,314	(13,294)	(82,636)	1,392,920
Noncurrent Liabilities	12							12
Deposits Held In Custody For Others Accrued Compensated Absences	12	1,180	-	-	_	112,671		12 113,851
Capital Lease Obligations	_	-	_	2,175	_	112,071	_	2,175
Notes, Bonds, COP's Payable	-	33,550	-	1,294,522	-	-	-	1,328,072
Other Long-Term Liabilities	-	, -	-	· · · -	75,574	187,460	-	263,034
Total Noncurrent Liabilities	12	34,730	-	1,296,697	75,574	300,131	-	1,707,144
TOTAL LIABILITIES	1,435,781	54,783	-	1,304,411	100,888	286,837	(82,636)	3,100,064
NET ASSETS: Invested in Capital Assets , Net of Related Debt	11,957	16,713	11,920,289	(1,296,697)	-	-	_	10,652,262
Restricted for:	1,376,521							1,376,521
Highway Construction and Maintenance State Education	303,827	-	-	-	-	-	-	303,827
Debt Service	6,495	_	_	_	_	-	_	6,495
Emergencies	109,138	-	-	_	-	-	-	109,138
Permanent Funds and Endowments:								•
Expendable	810	-	-	-	-	-	-	810
Nonexpendable Court Awards and Other Purposes	356,249 16,006	-	-	-	-	-	-	356,249 16,006
Unrestricted	1,196,691	2,152	-	(7,714)	(100,888)	(286,837)	-	803,404
TOTAL NET ASSETS	\$ 3,377,694	\$ 18,865	\$ 11,920,289	\$ (1,304,411)	\$ (100,888)	\$ (286,837)	\$ -	\$ 13,624,712
TOTAL NET ADDLES	4 کری <i>اراز</i> ر پ	φ 10,003	φ 11,720,203	φ (1,504,411)	φ (100,000)	φ (200,037)	ψ -	φ 13,024,/1Z

Differences Between the *Balance Sheet – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Net Assets*

- Management uses Internal Services Funds to charge the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Assets*. Internal Service Funds are reported using proprietary fund type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - o Fleet management, printing, and mail services;
 - o Information management services;
 - o Telecommunication services;
 - o Building maintenance and management in the capitol complex;
 - o Administrative hearings services.
- Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources, and therefore, they are reported in the government-wide *Statement of Net Assets*.
- Long-term liabilities such as leases, bonds, notes, mortgages, and certificates of participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net assets and are therefore reported in the *Statement of Net Assets*. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.
- Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.
- Other measurement focus adjustments include:
 - o Interfund balances receivable from or payable to Fiduciary Funds are reported on the fund-level *Balance Sheet Governmental Funds* as due to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
 - O Long-term assets and long-term taxes receivable, are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
 - Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide Statement of Net Assets, but they are not reported on the fund-level Balance Sheet Governmental Funds.
 - The \$21.0 million claims and judgment payable is an extraordinary item related to a lawsuit judgment. It is not reported as a fund liability on the *Balance Sheet Governmental Funds* because of the governmental GAAP modification to full accrual for claims and judgments discussed above.
 - Other long-term liabilities are not reported on the fund-level *Balance Sheet Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets and are therefore reported on the government-wide *Statement of Net Assets*. See Note 26 for details of the transactions that comprise the \$187.5 shown in the reconciliation above.
- All interfund payable balances shown on the fund-level *Balance Sheet Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)		PUBLIC	HIGHWAY USERS
	GENERAL	SCHOOL	TAX
DEL/ENLIEC			
REVENUES: Taxes:			
Individual and Fiduciary Income	\$ 3,085,666	\$ -	\$ -
Corporate Income	164,661	Ф -	Ψ -
Sales and Use	1,867,638	_	_
Excise	95,048		544,552
Other Taxes	233,471		780
Licenses, Permits, and Fines	38,825	_	215,191
Charges for Goods and Services	55,529		10,160
Investment Income	52,686	_	69,915
Federal Grants and Contracts	2,610,289	_	337,835
Other	198,581	1,472	48,035
TOTAL REVENUES	8,402,394	1,472	1,226,468
TOTAL NEVEROLS	0,402,334	1,772	1,220,400
EXPENDITURES:			
Current:			
General Government	214,980	-	6,097
Business, Community and Consumer Affairs	144,723	-	-
Education	95,587	79	-
Health and Rehabilitation	403,448	-	6,756
Justice	827,457	-	61,480
Natural Resources	53,438	-	-
Social Assistance	2,550,175	-	-
Transportation		-	1,125,930
Capital Outlay	15,445	-	14,581
Intergovernmental:			
Cities	23,519	-	110,836
Counties	982,876	-	166,233
School Districts	373,850	2,146,820	-
Special Districts	62,784	50	12,759
Federal	1,700	-	-
Other	39,117	-	19
Debt Service	13,607	-	-
TOTAL EXPENDITURES	5,802,706	2,146,949	1,504,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,599,688	(2,145,477)	(278,223)
OTHER FINANCING SOURCES (USES):			
Operating Transfer-In	1,215,675	2,152,621	72,026
Operating Transfer-Out	(3,213,373)	(90)	(95,754
Face Amount of Debt Issued	(3,213,373)	(50)	208,300
Bond Premium/Discount			11,699
Capital Lease Proceeds	4,699	_	11,099
Sale of Capital Assets	356		999
	330		333
Debt Refunding Proceeds Debt Refunding Payments	_	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,992,643)	2,152,531	197,270
NET CHANGE IN FUND BALANCES	607,045	7,054	(80,953)
	•	,	
FUND BALANCE, FISCAL YEAR BEGINNING	(426,926)	10,125	1,476,719
Prior Period Adjustment (See Note 28)	-	-	-
Accounting Changes (See Note 28)	25,314	-	-
FUND BALANCE, FISCAL YEAR END	\$ 205,433	\$ 17,179	\$ 1,395,766

				(OTHER	
CAPI	TAL		STATE		RNMENTAL	
PROJE	CTS	ED	UCATION	ı	FUNDS	TOTAL
+		+	250 526	4		¢ 2 24F 102
\$	-	\$	259,526	\$	-	\$ 3,345,192
	-		13,373		9,845	178,034 1,877,483
					2,111	641,711
	_		_		222,157	456,408
	425		_		249,087	503,528
	1		_		33,064	98,754
1:	1,937		16,186		89,367	240,091
	9,081		· -		123,490	3,110,695
	768		27		50,424	299,307
52	2,212		289,112		779,545	10,751,203
	,		,		-,-	-, - ,
12	2,839		-		3,945	237,861
:	1,665		-		130,325	276,713
12	2,818		557		13,249	122,290
	1,181		-		42,026	453,411
	2,806		-		22,026	923,769
	2,276		-		25,819	81,533
	1,773				58,274	2,630,222
220	-		-		747 16 227	1,126,677
22	9,834		-		16,337	276,197
	942		_		74,051	209,348
	1,377		_		78,497	1,228,983
	-		143,369		25,414	2,689,453
	177		641		14,889	91,300
	6		-		1,289	2,995
	446		-		23,794	63,376
	-		-		71,734	85,341
298	8,140		144,567		602,416	10,499,469
(24	5,928)		144,545		177,129	251,734
	3,032		(0.520)		187,891	3,991,245
(364	4,382)		(9,529)		(943,253)	(4,626,381)
					16	208,300 11,715
	_		_		16 10	4,709
	_		_		1,391	2,746
	-		_		10,140	10,140
	-		-		(9,721)	(9,721)
	1 350)		(0.520)			
	1,350)		(9,529)		(753,526)	(407,247)
(24	7,278)		135,016		(576,397)	(155,513)
(24)	,,2,0)		133,010		(3,0,33)	(133,313)
416	6,514		168,811	1	,860,141	3,505,384
	(32)		· -		7,642	7,610
	-		-		(5,101)	20,213
\$ 169	9,204	\$	303,827	\$ 1	,286,285	\$ 3,377,694
-	,=	7	,	7 -	,,=00	+ -,5,651

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2002

Corporate Income 178,034 -	(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
Individual and Fiduciary Income \$3,345,192 \$ - \$ - \$ \$ - \$ \$10,292 \$3, \$5, \$ \$ - \$ \$7,596 \$3 \$3 \$3 \$3 \$3 \$3 \$3 \$	REVENUES:						
Corporate Income 178,034 - - 7,596 Sales and Use 1,877,483 - - 3,682 1, 1 Exise 641,711 - - (5,399) 1, 1 Other Taxes 464,648 - - (1,116) Charges for Goods and Services 98,754 - - (1,116) Charges for Goods and Services 98,754 - - 44 Federal Grants and Contracts 3,110,695 - - - 3, Other 299,307 - 21,655 - 66 3, TOTAL REVENUES 10,751,203 310 21,655 - 15,333 10. EXPENDITURES: Current: Current: Current: Current: - - 1,7225 General Government 237,861 (1,244) 5,137 - 17,225 General Government 237,861 (1,244) 5,137 - 17,225 General Government 237,861 (1,244) 5,137 <	Taxes:						
Sales and Use			\$ -	\$ -	\$ -		\$ 3,355,484
Excise Other Taxes	·	•	-	-	-		185,630
Cher Taxes 456,408 -			-	-	-		1,881,165
Licenses, Permits, and Fines			-	-	-		636,312
Charges for Goods and Services 98,754 (1) Investment Income 240,091 310 444 Federal Grants and Contracts 3,110,695 - 21,655 - 66			-	-	-		456,577
Investment Income 240,091 310 - - 44 Federal Grants and Contracts 3,110,695 - - - - - 66 10,751,203 310 21,655 - 66 10,751,203 310 21,655 - 66 15,333 10, 20,755 - 15,333 10, 20,755 - 21,655 - 20,735 20, 20, 20, 20, 20, 20, 20, 20, 20, 20,			-	-	-		502,412 98,753
Federal Grants and Contracts	3	/	310	-	-		240,445
Other 299,307 - 21,655 - 66 TOTAL REVENUES 10,751,203 310 21,655 - 15,333 10, EXPENDITURES: Current: General Government 237,861 (1,244) 5,137 - 17,225 17,225 Business, Community and Consumer Affairs 276,713 (765) 1,611 - (7697) 132 122,290 (127) 1,103 - 132 148 148 148 1,103 - 132 148 148 148 1,103 - 132 148		- /	510	_	_		3,110,695
TOTAL REVENUES 10,751,203 310 21,655 - 15,333 10, EXPENDITURES: Current: General Government 237,861 12,2290 127,713 128,555 - 17,225 Business, Community and Consumer Affairs 276,713 122,290 127,710,103 - 132 Health and Rehabilitation 453,411 453,411 426,60 2,855 - 884 Justice 923,769 (921) 18,368 - 3,367 Natural Resources 81,533 3354) (1,102) - 21,606 Social Assistance 2,630,222 (922) 72 - 158 2,771 Transportation 1,126,677 732) (442,255) - 811 Capital Outlay 276,197 - 10ties Counties 1,228,983 - 1,228,983 - 1,228,983 - 2,689,453 - 2,689,453 - 3,567 Counties 1,228,983 - 3,567 Counties 1,228,983 - 3,567 Counties 1,228,984 1,272 1,273 Counties 1,288,984 1,274 1,274 1,274 1,4370) 36,720 9, EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 210,499,469 210,300 - 21,600 21,600 21,700 21,600 21,700			_	21 655	_	66	321,028
EXPENDITURES: Current: General Government			310	•	_		10,788,501
General Government	EXPENDITURES:	10,731,203	310	21,055		13,333	10,700,301
Business, Community and Consumer Affairs 276,713 (765) 1,611 - (7,697) Education 122,290 (127) 1,103 - 132 132 Health and Rehabilitation 453,411 (226) 2,855 - 854 3,567 Natural Resources 81,533 (354) (1,102) - 21,606 Social Assistance 2,630,222 (922) 72 - 158 2, Transportation 1,126,677 (732) (442,255) - 811 Capital Outlay 276,197 - 1		237 861	(1 244)	5 137	_	17 225	258,979
Education 122,790 (127) 1,103 - 133			` ' '		_		269,862
Health and Rehabilitation			` ,	,	_	` ' '	123,398
Justice 923,769 (921) 18,368 - 3,567 Natural Resources 81,533 (354) (1,102) - 21,606 Social Assistance 2,630,222 (922) 72 - 158 2, Transportation 1,126,677 (732) (442,255) - 811 Capital Outlay 276,197 - (129,978) - 1811 Capital Outlay Theregovernmental: Cities 209,348 - - 64 Counties 2,689,453 - - - - 1,					_		456,894
Natural Resources					-	3,567	944,783
Transportation 1,126,677 (732) (442,255) - 811 Capital Outlay 276,197 - (129,978) - - Intergovernmental: Cities 209,348 - - - 64 Counties 1,228,983 - - - - 1,2 School Districts 2,689,453 - - - - - 1,2 Special Districts 91,300 -	Natural Resources				-		101,683
Capital Outlay	Social Assistance	2,630,222	(922)	72	-	158	2,629,530
Intergovernmental: Cities 209,348 64 Counties 1,228,983 64 School Districts 2,689,453 64 School Districts 91,300 2, Special Districts 91,300 2, Special Districts 91,300 2, Special Districts 91,300 2, Special Districts 91,300	Transportation	1,126,677	(732)	(442,255)	-	811	684,501
Cities 209,348 - - - - 64 Counties 1,228,983 - - - - 1,2 2,2 School Districts 2,689,453 - - - - - 2,2 2,5 2,5 - - - - - 2,2 2,5 -<	Capital Outlay	276,197	-	(129,978)	-	-	146,219
Counties 1,228,983 1, School Districts 2,689,453 2, Special Districts 91,300 2, Special Districts 91,300 2, Other 2,995 Other 63,376 Debt Service 85,341 1,724 - (14,370) TOTAL EXPENDITURES 10,499,469 (3,567) (544,189) (14,370) 36,720 9, EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 251,734 3,877 565,844 14,370 (21,387) OTHER FINANCING SOURCES (USES): Operating Transfer-In 3,991,245 569 3, Operating Transfer-Out (4,626,381) (2,921) (4, Face Amount of Debt Issued 208,300 (208,300) Bond Premium/Discount 11,715 (11,715) - (20,714) Capital Lease Proceeds 4,709 (4,709) Sale of Capital Assets 2,746 - (14,060) Sale of Capital Assets 10,140 - (10,140) Debt Refunding Proceeds 10,140 - (10,140) Debt Refunding Payments (9,721) 9,721 TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0,714)							
School Districts 2,689,453 - - - - 2,7 Special Districts 91,300 -			-	-	-	64	209,412
Special Districts 91,300 -			-	-	-	-	1,228,983
Federal 2,995 - - - - - - -			-	-	-	-	2,689,453
Other Debt Service 63,376 b			-	-	-	-	91,300
Debt Service 85,341 1,724 - (14,370) - TOTAL EXPENDITURES 10,499,469 (3,567) (544,189) (14,370) 36,720 9, EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 251,734 3,877 565,844 14,370 (21,387) OTHER FINANCING SOURCES (USES): Operating Transfer-In 3,991,245 569 3, Operating Transfer-Out (4,626,381) (2,921) (4, Face Amount of Debt Issued 208,300 (208,300) - (4, Face Amount of Debt Issued 11,715 - (11,715) - (11,715) - Capital Lease Proceeds 4,709 (4,709) - Sale of Capital Assets 2,746 - (14,060) Debt Refunding Proceeds 10,140 (10,140) - Debt Refunding Payments (9,721) 9,721 - (TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) (10,140) - (10,		•	-	-	-	-	2,995
TOTAL EXPENDITURES 10,499,469 (3,567) (544,189) (14,370) 36,720 9, EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 251,734 3,877 565,844 14,370 (21,387) OTHER FINANCING SOURCES (USES): Operating Transfer-In 3,991,245 569 3, Operating Transfer-Out (4,626,381) (2,921) (4, Face Amount of Debt Issued 208,300 (208,300) - (4, Face Amount of Debt Issued 11,715 - (11,715) - (20,746) (4,709) (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (4,709) - (10,140)			1 724	-	(14.270)	-	63,376
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 251,734 3,877 565,844 14,370 (21,387) OTHER FINANCING SOURCES (USES): Operating Transfer-In Operating Transfer-Out (4,626,381) (2,921) - - - (208,300) - Bond Premium/Discount 11,715 - Capital Lease Proceeds 4,709 - Sale of Capital Assets 2,746 - Debt Refunding Proceeds 10,140 - Debt Refunding Payments (9,721) - TOTAL OTHER FINANCING SOURCES (USES) (21,387)				(E44 190)		26 720	72,695 9,974,063
OTHER FINANCING SOURCES (USES): Operating Transfer-In 3,991,245 569 - - - 3, Operating Transfer-Out (4,626,381) (2,921) - - - (4, Face Amount of Debt Issued 208,300 - - - (208,300) - Bond Premium/Discount 11,715 - - (11,715) - Capital Lease Proceeds 4,709 - - (4,709) - Sale of Capital Assets 2,746 - (14,060) - - Debt Refunding Proceeds 10,140 - - (10,140) - Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0	TOTAL EXPENDITURES	10,499,409	(3,367)	(344,169)	(14,370)	30,720	9,974,003
Operating Transfer-In 3,991,245 569 - - - 3,991,245 3,091,245 569 - - - 3,091,245 569 - - - 2,04 2,00 - - 2,00 2,00 - - 2,00 - - 2,00 3,00 - - - 2,00 3,00 - - - 2,00 3,00 - - - 2,00 3,00 - - - 2,00 3,00 - - - 2,00 3,00 - - - 2,00 3,00 - - - 2,11,715 - - - 2,745 - <	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	251,734	3,877	565,844	14,370	(21,387)	814,438
Operating Transfer-Out (4,626,381) (2,921) - - - (4, 626,381) (2,921) - - - (4, 626,381) (2,921) - - - (4, 626,381) (2,921) - - - (4, 626,381) (2,921) - - - (4, 626,381) (2,921) - - - (208,300) -	OTHER FINANCING SOURCES (USES):						
Face Amount of Debt Issued 208,300 - - (208,300) - Bond Premium/Discount 11,715 - - (11,715) - Capital Lease Proceeds 4,709 - - (4,709) - Sale of Capital Assets 2,746 - (14,060) - - Debt Refunding Proceeds 10,140 - - (10,140) - Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0	Operating Transfer-In	3,991,245	569	-	-	-	3,991,814
Bond Premium/Discount 11,715 - - (11,715) - Capital Lease Proceeds 4,709 - - (4,709) - Sale of Capital Assets 2,746 - (14,060) - - Debt Refunding Proceeds 10,140 - - (10,140) - Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0,000)			(2,921)	-	-	-	(4,629,302)
Capital Lease Proceeds 4,709 - - (4,709) - Sale of Capital Assets 2,746 - (14,060) - - Debt Refunding Proceeds 10,140 - - (10,140) - Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0,000)			-	-		-	-
Sale of Capital Assets 2,746 - (14,060)			-	-		-	-
Debt Refunding Proceeds 10,140 - - (10,140) - Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (0,000)			-	-	(4,709)	-	
Debt Refunding Payments (9,721) - - 9,721 - TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (-	(14,060)	- (40.440)	-	(11,314)
TOTAL OTHER FINANCING SOURCES (USES) (407,247) (2,352) (14,060) (225,143) - (-	-	. , ,	-	-
Internal Service Fund Charges to BTAs - 986	5 ,		(2,352)	(14,060)		-	(648,802)
	Internal Service Fund Charges to BTAs	-	986	-	-	-	986
NET CHANGE FOR THE YEAR \$ (155,513) \$ 2,511 \$ 551,784 \$ (210,773) \$ (21,387) \$	NET CHANGE FOR THE YEAR	\$ (155.513)	\$ 2.511	\$ 551.784	\$ (210.773)	\$ (21.387)	\$ 166,622

Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Governmental Activities on the Government-Wide Statement of Activities

- Management uses Internal Services Funds to charge the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intend to operate on cost reimbursement basis and should break even each period. If an Internal Service Funds makes a profit, the other funds of the state have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the state have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - o Fleet management, printing, and mail services;
 - o Information management services;
 - Telecommunication services;
 - o Building maintenance and management in the capitol complex;
 - Administrative hearings services.
- The following adjustments relate to capital assets:
 - Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds* because they are not current financial resources. However, such donations increase net assets and are reported on both the government-wide *Statement of Net Assets* and *Statement of Activities*.
 - Depreciation is not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, but it is reported for the economic perspective on which the government-wide Statement of Activities is presented.
 - Expenditures reported for capital outlay on the fund-level Statement of Revenues, Expenditures, and Changes in
 Fund Balances Governmental Funds are generally reported as a conversion of cash to a capital asset on the
 government-wide Statement of Net Assets. They are not reported as expenses on the government-wide
 Statement of Activities.
 - On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the book value of the asset.
- The following adjustments relate to debt issuance and debt service including leases:
 - Payments on principal are reported as expenditures on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
 - Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, but are reported on the government-wide Statement of Activities.
 - Lease proceeds and the issuance of debt both increase fund balance and are reported as other financing sources on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds. From an economic perspective lease proceeds and debt issuances are reported as liabilities on the government-wide Statement of Net Assets and are not reported on the government-wide Statement of Activities.
- Other measurement focus adjustments include:
 - O Long-term taxes receivable and other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet Governmental Funds*; however, from a full accrual perspective, changes in the related revenue are recognized and reported on the government-wide *Statement of Activities*.
 - O Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds. However, from a full accrual perspective, these are expenses that are reported on the government-wide Statement of Activities.

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2002

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE		
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 391,469	\$ 631,937		
Investments	107,727	-		
Taxes Receivable, net	-	36,237		
Student and Other Receivables, net	129,593	12,526		
Due From Other Governments	63,484	4,413		
Due From Other Funds	5,550	9		
Inventories	23,397	-		
Prepaids, Advances, and Deferred Charges	16,876	-		
Total Current Assets	738,096	685,122		
Noncurrent Assets:	·	·		
Restricted Cash and Pooled Cash	22,521	-		
Restricted Investments	141,179	-		
Investments	404,710	-		
Other Long-Term Assets	66,359	-		
Depreciable Capital Assets and Infrastructure, net	1,819,389	-		
Land and Nondepreciable Infrastructure	562,020	-		
Total Noncurrent Assets	3,016,178	-		
TOTAL ASSETS	3,754,274	685,122		
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments Due To Other Funds Deferred Revenue Accrued Compensated Absences	\$ 174,629 - 2,929 108,338 7,826	\$ 826 107 1,306		
Leases Payable	3,477	-		
Notes, Bonds, COP's Payable	25,543	-		
Other Current Liabilities	47,978	23,141		
Total Current Liabilities	370,720	25,380		
Noncurrent Liabilities Accrued Compensated Absences Capital Lease Obligations Notes, Bonds, COP's Payable Other Long-Term Liabilities	112,258 42,321 571,861 53,003	- - - -		
Total Noncurrent Liabilities	779,443	-		
TOTAL LIABILITIES	1,150,163	25,380		
NET ASSETS: Invested in Capital Assets , Net of Related Debt Restricted for: Unemployment Insurance Debt Service Emergencies Permanent Funds and Endowments: Expendable	1,860,122 - 2,614 - 44,570	- 659,742 - - -		
Nonexpendable	49,919	-		
Court Awards and Other Purposes	188,786 458 100	-		
Unrestricted	458,100	- CEO 742		
TOTAL NET ASSETS	\$ 2,604,111	\$ 659,742		

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS				
STUDENT OBLIGATION				INTERNAL	
BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	SERVICE FUNDS	
\$ 21,260 60,087	\$ 27,720 -	\$ 138,567 -	\$ 1,210,953 167,814 36,237	\$ 8,379 10,303	
730,306	14,030	11,682	898,137	251	
· -	-	6,164	74,061	84	
524	-	508	6,591	98	
- 3,699	1,510 536	10,408 1,330	35,315 22,441	632 711	
815,876	43,796	168,659	2,451,549	20,458	
_	-	-	22,521		
-	-	-	141,179	-	
89,530	-	253	494,493		
1 904	1 602	712 78 F60	67,071	- E2 100	
1,804	1,603	78,569 89,272	1,901,365 651,292	53,190 -	
91,334	1,603	168,806	3,277,921	53,190	
907,210	45,399	337,465	5,729,470	73,648	
\$ 2,560	\$ 1,790	\$ 9,034	\$ 188,839	\$ 5,910	
13,425	35	4,150	17,717	φ 3,310 -	
31	21,939	673	26,878	167	
-	398	29,646 700	138,382 8,526	734 12	
-	- -	363	3,840	-	
71,268	-	403	97,214	13,230	
-	17,465	751	89,335		
87,284	41,627	45,720	570,731	20,053	
93	884	7,892	121,127	1,180	
626,475	-	615 1,535	42,936 1,199,871	33,550	
90,900	124	-	144,027	-	
717,468	1,008	10,042	1,507,961	34,730	
804,752	42,635	55,762	2,078,692	54,783	
1 004	4.600	464.005	2 020 454	16 712	
1,804	1,603	164,925	2,028,454	16,713	
-	-	-	659,742	-	
- -	-	38,813	2,614 38,813	-	
-	-	-	44,570	-	
-	-	-	49,919	-	
100,654	1,161	- 77,965	188,786 637,880	- 2,152	
\$ 102,458	\$ 2,764	\$ 281,703	\$ 3,650,778	\$ 18,865	
¥ 102,130	Ψ 2,704	Ψ 201//00	Ψ 5,050,770	Ψ 10,005	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTION:	UNEMPLOYMENT S INSURANCE			
OPERATING REVENUES:					
License and Permits	\$	- \$ -			
Tuition and Fees	737,489				
Pledged Tuition and Fees	19,51				
Scholarship Allowance for Tuition and Fees	(140,40)				
Sales of Goods and Services	393,864				
Pledged Sales of Goods & Services	189,098				
Scholarship Allowance for Sales of Goods & Services	(13,02)				
Investment Income (Loss)	91:				
Rental Income					
Gifts and Donations	71,308	3 -			
Federal Grants and Contracts	593,340				
Pledged Federal Grants and Contracts	113,090				
Intergovernmental Revenue	5,649				
Other	184,128				
Pledged Other Revenues	7,580) -			
TOTAL OPERATING REVENUES	2,162,55	4 367,407			
OPERATING EXPENSES:					
Salaries & Fringe Benefits	1,843,81	1			
Operating and Travel	780,66				
Cost of Goods Sold	95,130				
Depreciation Depreciation	138,78				
Intergovernmental Distributions	60,572				
Debt Service	55,57	- 			
Prizes and Awards	34	1 -			
TOTAL OPERATING EXPENSES	2,918,989	577,456			
OPERATING INCOME (LOSS)	(756,43	5) (210,049)			
NONOPERATING REVENUES AND (EXPENSES):					
Fines and Settlements	918	-			
Investment Income	33,330) 45,389			
Rental Income	19,802				
Gifts and Donations	8,033	-			
Intergovernmental Distributions		-			
Gain/(Loss) on Sale of Fixed Assets	(23				
Debt Service	(26,379	<i>'</i>			
TOTAL NONOPERATING REVENUES (EXPENSES)	35,470) 45,389			
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(720,96	5) (164,660)			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions	191,260	5 -			
Operating Transfer-In	749,640				
Operating Transfer-Out	(22,430	0) -			
TOTAL CONTRIBUTIONS AND TRANSFERS	918,470	5 -			
CHANGE IN NET ASSETS	197,51	1 (164,660)			
TOTAL NET ASSETS - EISCAL VEAD BECTNINIALS	2 020 00°	024.402			
TOTAL NET ASSETS - FISCAL YEAR BEGINNING Prior Period/Other Adjustments (See Note 28)	3,829,082	•			
Accounting Changes (See Note 28)	48,394) (1,374,088)				
,		-			
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 2,604,11	1 \$ 659,742			

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

								•	
S	TUDENT							•	
OBI	LIGATION								INTERNAL
	BOND		STATE		OTHER				SERVICE
AU	JTHORITY	L	.OTTERY	EN	TERPRISES		TOTAL		FUNDS
								•	
\$	_	\$	44	\$	57,505	\$	57,549		\$ -
Ψ	_	4		Ψ	441	Ψ	737,930		Ψ -
	_		_		-		19,514		_
	-		-		-		(140,401)		-
	2,050		407,967		77,850		881,731		73,092
	-		· -		375		189,473		-
	-		-		-		(13,022)		-
	(579)		-		4,000		4,332		-
	-		-		1,054		1,054		8,164
	-		-		1,273		72,581		-
	-		-		85,632		893,272		-
	11,153		-		-		124,243		
	- 16		-		7,981		13,630		475
	16 42,511		98		609		337,964 50,091		475
								•	
	55,151		408,109		236,720		3,229,941		81,731
	3,298		8,223		93,697		1,949,029		19,232
	16,878		43,374		90,701		1,509,070		40,518
	-		10,532		22,551		128,213		4,729
	371		614		4,129		143,895		16,396
	-		_		5,396		65,968		2
	20,804		-		11,097		31,901		-
	-		240,323		719		241,076		-
	41,351		303,066		228,290		4,069,152	•	80,877
	13,800		105,043		8,430		(839,211)		854
	-		-		461		1,379		2
	-		6,228		4,769		89,716		310
	-		-		228		20,030		24
	-		-		15		8,048		-
	-		(46,523)		(601)		(46,523)		(2)
	_		-		(681) (160)		(915)		831 (1,725)
			(40,295)		4,632		(26,539) 45,196	•	(560)
			(40,293)		4,032		45,150	•	(300)
	13,800		64,748		13,062		(794,015)	•	294
			•		•		<u> </u>	•	
					4 220		105 405		A E70
	284		-		4,229 251		195,495 750,175		4,570 569
	-		(63,896)		(5,591)		(91,917)		(2,922)
	204							•	
	284		(63,896)		(1,111)		853,753		2,217
	14,084		852		11,951		59,738		2,511
	88,374		1,912		144,153		4,887,923		16,354
	· -				125,599		77,205		, -
							(1,374,088)		
\$	102,458	\$	2,764	\$	281,703	\$	3,650,778	•	\$ 18,865
								:	

STATEMENT OF CASH FLOWS ALL PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2002

-		
(DOLLARS IN THOUSANDS)		
	HIGHER	
	EDUCATION	UNEMPLOYMENT
	INSTITUTIONS	INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	\$ 638,526	\$ -
Fees for Service	525,598	-
Sales of Products	19,087	-
Grants and Contracts	914,510	210,628
Loan and Note Repayments	26,378	-
Receipt of Deposits Held in Custody	375,069	_
Unemployment Insurance Taxes	-	148,574
Other Sources	39,672	
Cash Payments to or for:	33,072	
Employees	(1,763,857)	_
Suppliers	(814,607)	_
Lottery Prizes and Sales Commissions	(011/007)	_
Unemployment Benefits	-	(567,813)
Scholarships	(80,980)	(507/015)
Others for Student Loans and Loan Losses	(16,795)	_
Other Governments	(60,572)	_
Release of Deposits Held in Custody	(376,286)	_
Other	(4,973)	_
		(222 (11)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(579,230)	(208,611)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	749,640	_
Transfers-Out	(22,430)	_
Gifts for Other Than Capital Purposes	1,289	_
Intergovernmental Distributions		
NonCapital Debt Proceeds	755	_
NonCapital Debt Service Payments	(6)	_
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	729,248	-
NET CASH THOM NONCALITAE TIMANCING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(386,478)	-
Capital Contributions	39,097	-
Capital Gifts, Grants, Contracts	30,463	-
Proceeds from Sale of Capital Assets	83,983	-
Income from Property	19,802	-
Capital Debt Proceeds	355,085	-
Capital Debt Service Payments	(111,755)	-
Capital Lease Payments	(4,961)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	25,236	_
INET CASITITADIA CAPITAL AND RELATED FINANCING ACTIVITIES	25,250	

The notes to the financial statements are an integral part of this statement.

(Continued)

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

STUDENT OBLIGATION				
BOND		OTHER		INTERNAL
AUTHORITY	LOTTERY	ENTERPRISE	TOTALS	SERVICE FUNDS
\$ -	\$ -	\$ 461	\$ 638,987	\$ 2
531	-	86,058	612,187	71,572
-	407,008	44,814	470,909	1,268
11,169	-	87,789	1,224,096	-
130,814	-	19	157,192 375,088	-
	-	-	148,574	
42,481	142	12,254	94,549	478
, -		, -	,	
(1,249)	(7,978)	(81,354)	(1,854,438)	(17,869)
(1,927)	(24,596)	(77,860)	(918,990)	(44,126)
-	(269,480)	(1,498)	(270,978)	-
-	-	(16)	(567,829)	-
(185,000)	-	-	(80,980) (201,795)	- -
(105,000)	_	(5,396)	(65,968)	(2)
-	_	(18)	(376,304)	-
(1,108)	(499)	(45,167)	(51,747)	(285)
(4,289)	104,597	20,086	(667,447)	11,038
			_	
-	-	251	749,891	569
-	(63,896)	(5,591)	(91,917)	(2,922)
	-	15	1,304	
-	(44,639)	-	(44,639)	-
100,227 (109,834)	-	- (11,097)	100,982 (120,937)	-
	(100 F3F)			(2.252)
(9,607)	(108,535)	(16,422)	594,684	(2,353)
	(450)	(40.464)	(200, 202)	(50.554)
-	(150)	(12,464)	(399,092)	(50,551)
-	-	-	39,097 30,463	-
	<u> </u>	258	84,241	831
-	-	1,284	21,086	8,208
-	-	113	355,198	46,398
-	-	(598)	(112,353)	(8)
_	-	(298)	(5,259)	(1,022)
	(150)	(11,705)	13,381	3,856

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2002 AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(DOLLARS THE THOUSANDS)		
(DOLLARS IN THOUSANDS)	LICHED	
	HIGHER	LINIEMPL OVMENT
	EDUCATION	UNEMPLOYMENT
	INSTITUTIONS	INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	43,144	45,389
Proceeds from Sale/Maturity of Investments	1,714,702	-
Purchases of Investments	(1,876,680)	-
NET CASH FROM INVESTING ACTIVITIES	(118,834)	45,389
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	56,420	(163,222)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	357,570	795,159
Prior Period Adjustment	-	-
CASH AND POOLED CASH, FISCAL YEAR END	\$ 413,990	\$ 631,937
CHAIT WE TOOLED CHAIT, TISCHE TENK END	+	+
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (756,435)	\$ (210,049)
	Ψ (,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	4 (220/0.5)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	138,781	-
Investment/Rental Income and Other Revenue in Operating Income	` ,	-
Fines, Donations, and Grants and Contracts in NonOperating	918	-
Loss on Disposal of Fixed Assets	15,106	-
Compensated Absences	18,173	-
Interest and Other Expense in Operating Income	(16,107)	-
Net Changes in Assets and Liabilities Related to Operating Activities		
(Increase) Decrease in Operating Receivables	53,048	(8,312)
(Increase) Decrease in Inventories	672	-
(Increase) Decrease in Other Operating Assets	(38,963)	-
Increase (Decrease) in Accounts Payable	7,383	990
Increase (Decrease) in Other Operating Liabilities	(1,567)	8,760
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (579,230)	\$ (208,611)
		, ,
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	108,752	_
Capital Assets Acquired by Donation and Payable Increases	20,811	_
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals		_
Loss on Disposal of Capital Assets	198	
Amortization of Bond Premium/Discount and Interest Payable Accruals	630	_
Assumption of Capital Lease Obligation	10,618	_
	-5,010	

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
799 485,711 (493,065)	2,032 4,165 -	7,640 1,124 -	99,004 2,205,702 (2,369,745)	285 10,407 (20,685)
(6,555)	6,197	8,764	(65,039)	(9,993)
(20,451)	2,109	723	(124,421)	2,548
41,711	25,611 -	137,812 32	1,357,863 32	5,831
\$ 21,260	\$ 27,720	\$ 138,567	\$ 1,233,474	\$ 8,379
\$ 13,800	\$ 105,043	\$ 8,430	\$ (839,211)	\$ 854
371 2,650	614 -	4,129 (5,054)	143,895 (2,643)	16,396 (8,163)
284	<u>-</u>	461 91	1,663	2
18 20,804	81 112	91 939 11,132	15,197 19,211 15,941	- 57 48
(57,776) - 35	(1,326) (363) (500)	(673) (87) (512)	(15,039) 222 (39,940)	10 (13) (77)
5,347 10,178	(1,250) 2,186	(254) 1,484	12,216 21,041	2,184 (260)
\$ (4,289)	\$ 104,597	\$ 20,086	\$ (667,447)	\$ 11,038
- - 4,438	<u> </u>	4,229 - 2	112,981 20,811 (5,900)	4,570 - -
-	-	681	879	-
-	-	- 391	630 11,009	- -

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2002

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	COMPENSATION INSURANCE AUTHORITY	PRIVATE PURPOSE TRUST	AGENCY	TOTALS
ASSETS:					
Current Assets:					
Cash and Pooled Cash	\$ 16,765	\$ 28,894	\$ 8,488	\$ 292,672	\$ 346,819
Investments	-	1,100,429	601	8,374	1,109,404
Taxes Receivable, net	-	-	-	89,109	89,109
Other Receivables, net	12	13,575	9,202	90	22,879
Due From Other Funds	-	-	34,360	2,744	37,104
Inventories	-	-	-	1	1
Prepaids, Advances, and Deferred Charges Noncurrent Assets:	14	-	-	-	14
Investments	269,356	-	528,669	7	798,032
Other Long-Term Assets	-	-	-	11,917	11,917
TOTAL ASSETS	286,147	1,142,898	581,320	404,914	2,415,279
LIABILITIES:					
Current Liabilities:					
Tax Refunds Payable	-	-	_	1,239	1,239
Accounts Payable and Accrued Liabilities	2,039	-	43,629	415	46,083
Due To Other Governments	-	-	-	154,638	154,638
Deferred Revenue	11,637	-	-	-	11,637
Claims and Judgements Payable	-	-	-	537	537
Other Current Liabilities	-	-	-	186,038	186,038
Deposits Held In Custody For Others	-	-	-	61,520	61,520
Accrued Compensated Absences	33	-			33
Other Long-Term Liabilities		-	1,564	527	2,091
TOTAL LIABILITIES	13,709	-	45,193	404,914	463,816
NET ASSETS: Held in Trust for:					
Pension/Benefit Plan Participants	272,434	-	-	_	272,434
Investment Trust Participants		1,142,898	-	-	1,142,898
Individuals, Organizations, and Other Entities	_	-,- :-,	536,127	-	536,127
Unrestricted	4	-	, -	-	4
TOTAL NET ASSETS	\$ 272,438	\$ 1,142,898	\$ 536,127	\$ -	\$ 1,951,463

STATEMENT OF CHANGES IN NET ASSETS ALL FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2002

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	COMPENSATION INSURANCE AUTHORITY	PRIVATE PURPOSE TRUST	TOTALS
ADDITIONS: Additions By Participants Member Contributions Employer Contributions Investment Income/(Loss) Employee Deferral Fees Unclaimed Property Receipts Other Additions	\$ 1,531 76,612 88,778 (35,177) 560 - 414	\$ 502,006 - - - 94,860 - - 364	\$ 507,642 - - (37,112) - 28,123 1,906	\$ 1,011,179 76,612 88,778 22,571 560 28,123 2,684
TOTAL ADDITIONS	132,718	597,230	500,559	1,230,507
DEDUCTIONS: Distributions to Participants Health Insurance Premiums Paid Other Benefits Plan Expense Payments in Accordance with Trust Agreements Administrative Expense Other Deductions	39,410 113,728 26,791 - 1,010 1,703	394,951 - - - - -	- - 23,597 2,144 -	434,361 113,728 26,791 23,597 3,154 1,703
TOTAL DEDUCTIONS	182,642	394,951	25,741	603,334
TRANSFERS: Operating Transfers-Out TOTAL TRANSFERS	(7,793) (7,793)	-	(12,976) (12,976)	(20,769) (20,769)
NET INCREASE (DECREASE) IN ASSETS	(57,717)	202,279	461,842	606,404
NET ASSETS AVAILABLE Beginning of the Year	330,155	940,619	74,285	1,345,059
End of the Year	\$ 272,438	\$ 1,142,898	\$ 536,127	\$ 1,951,463

STATEMENT OF NET ASSETS COMPONENT UNITS JUNE 30, 2002

(DOLLARS IN THOUSANDS)	COLORADO UNIVERSITY WATER RESOURCES OF COLORADO AND POWER HOSPITAL DEVELOPMENT E AUTHORITY AUTHORITY		DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	TOTAL	
ASSETS:						
Current Assets:						
Cash and Pooled Cash	\$ 16,445	\$ 85,605	\$ 3,557	\$ 7,595	\$ 113,202	
Taxes Receivable, net	-	-	494	-	494	
Other Receivables, net	77,559	38,559	94	3	116,215	
Due From Other Governments	-	344	-	-	344	
Inventories	6,876	-	-	-	6,876	
Prepaids, Advances, and Deferred Charges	3,371	-	7	-	3,378	
Total Current Assets	104,251	124,508	4,152	7,598	240,509	
Noncurrent Assets:						
Restricted Cash and Pooled Cash	_	21,558	_	_	21,558	
Restricted Investments	34,581	116,423	_	_	151,004	
Restricted Receivables	46,303	94	_	_	46,397	
Investments	81,569	172,956	-	_	254,525	
Other Long-Term Assets	10,047	548,509	371	_	558,927	
Depreciable Capital Assets and Infrastructure, net		35	153,113	_	460,443	
Land and Nondepreciable Infrastructure	2,475	-	18,176	-	20,651	
Total Noncurrent Assets	482,270	859,575	171,660	-	1,513,505	
TOTAL ASSETS	586,521	984,083	175,812	7,598	1,754,014	
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments Deferred Revenue	56,821 - -	8,565 2,532 316	- - -	107 - 439	65,493 2,532 755	
Accrued Compensated Absences	6,908	-	-	-	6,908	
Claims and Judgements Payable		-	-	4,872	4,872	
Notes, Bonds, COP's Payable	3,430	26,275	=	-	29,705	
Total Current Liabilities	67,159	37,688	-	5,418	110,265	
Noncurrent Liabilities Notes, Bonds, COP's Payable Other Long-Term Liabilities	232,861	501,210 144,354	- -	- 541	734,071 144,895	
Total Noncurrent Liabilities	232,861	645,564	-	541	878,966	
TOTAL LIABILITIES	300,020	683,252	-	5,959	989,231	
NET ASSETS: Invested in Capital Assets , Net of Related Debt Restricted for:	76,909	35	171,289	-	248,233	
Emergencies Court Awards and Other Purposes	46,303	- 222,599	91 491	- 1,639	91 271,032	
Unrestricted	163,289	78,197	3,941	-	245,427	
TOTAL NET ASSETS	\$ 286,501	\$ 300,831	\$ 175,812	\$ 1,639	\$ 764,783	

The notes to the financial statements are an integral part of this statement. $% \left(1\right) =\left(1\right) \left(1\right) \left($

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	TOTAL
OPERATING REVENUES:					
Tuition and Fees	\$ -	\$ 21,093	\$ -	\$ 7,205	\$ 28,298
Sales of Goods and Services	312,598	-	-	-	312,598
Investment Income (Loss)	-	16,248	-	-	16,248
Rental Income	-	1 022	901	-	901
Federal Grants and Contracts Other	- 17,299	1,932 170	-	-	1,932 17,469
		_			
TOTAL OPERATING REVENUES	329,897	39,443	901	7,205	377,446
OPERATING EXPENSES:					
Salaries & Fringe Benefits	132,051	795	-	-	132,846
Operating and Travel	95,448	3,640	91	14,736	113,915
Cost of Goods Sold	58,996	-	-	-	58,996
Depreciation	23,795	22	4,198	1	28,016
Intergovernmental Distributions	-	-	11,250	-	11,250
Debt Service	10,135	27,164	-	-	37,299
TOTAL OPERATING EXPENSES	320,425	31,621	15,539	14,737	382,322
OPERATING INCOME (LOSS)	9,472	7,822	(14,638)	(7,532)	(4,876)
NONOPERATING REVENUES AND (EXPENSES):					
Taxes	-	-	1,510	-	1,510
Investment Income	6,191	-	317	150	6,658
Rental Income	-	-	294	-	294
Other Expenses	(246)	-	-	7.050	(246)
Other Revenues		-	-	7,959	7,959
TOTAL NONOPERATING REVENUES (EXPENSES)	5,945	-	2,121	8,109	16,175
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	15,417	7,822	(12,517)	577	11,299
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions	34,302	60,076	_	_	94,378
'					
TOTAL CONTRIBUTIONS AND TRANSFERS	34,302	60,076	-	-	94,378
CHANGE IN NET ASSETS	49,719	67,898	(12,517)	577	105,677
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	236,782	232,933	188,329	1,062	659,106
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 286,501	\$ 300,831	\$ 175,812	\$ 1,639	\$ 764,783

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Effective July 1, 2001, the State of Colorado implemented the following GASB pronouncements:

- Statement No. 34 <u>Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments</u>
- Statement No. 35 <u>Basic Financial Statements and Managements Discussion and Analysis for Public Colleges and Universities</u>
- Statement No. 37 <u>Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments: Omnibus</u>
- Statement No. 38 <u>Certain Financial Statement</u> Disclosures

These new standards resulted in significant changes to the state's financial statements and related notes in Fiscal Year 2001-02.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Assets* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Note 3)

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the state, its departments, agencies, and state funded institutions of higher education that make up the state's legal entity. The state's reporting entity also includes those component units, which are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The state is financially accountable for those entities for which the state appoints a voting majority of the governing board, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the state. For those entities that the state does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent. Entities that do not meet the criteria for inclusion may still be included if it would be misleading to exclude them.

The following entities are discretely presented in the basic financial statements:

University of Colorado Hospital Authority Colorado Water Resources and Power Development Authority Denver Metropolitan Major League Baseball Stadium District CoverColorado

With the exception of the University of Colorado Hospital Authority, the majority of each governing board for these entities is appointed by the Governor and confirmed by the Senate. The Board of Regents of the University of Colorado appoints the board of the University of Colorado Hospital Authority.

The University of Colorado Hospital Authority and CoverColorado are included because they present a financial burden on the state. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the entity. The Water Resources and Power Development Authority is included because the state is able to impose its will upon the authority.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority 4200 East Ninth Avenue, Box A020 Denver, Colorado 80262

Colorado Water Resources and Power Development Authority 1580 Logan Street, Suite 620 Denver, Colorado 80203

Denver Metropolitan Major League Baseball Stadium District 2195 Blake Street Denver, Colorado 80205

CoverColorado 425 South Cherry Street, Suite 160 Glendale, Colorado 80246

The following related organizations, for which the state appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14:

Colorado Compensation Insurance Authority
(D.B.A. Pinnacol Assurance)
Colorado Educational and Cultural Facilities
Authority
Colorado Health Facilities Authority
Colorado Agricultural Development Authority
Colorado Housing and Finance Authority
Colorado Sheep and Wool Authority
Colorado Beef Council Authority
Fire and Police Benefit Association
The State Board of the Great Outdoors
Colorado Trust Fund

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the state does not impose its will, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related state higher education institutions. These entities are included in the various note disclosures if they qualify as related parties or omitting them would be misleading.

The state has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the state but is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The state's contract with the district states that the district is responsible for funding the operating deficits of the nursing home; however, since the state owns the nursing home, it retains ultimate financial responsibility for the home. Only the state's share of assets, liabilities, revenues and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the state's on-site contract administrator. The state's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the state.

NOTE 3 – BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements focus on the government as a whole. The *Statement of Net Assets* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party, the state constitution, or enabling legislation places a restriction on the use of an asset, those assets, net of related liabilities, are reported in the line item Restricted Net Assets. The nature of the asset may also result in a restriction on asset use. The line item Invested in Capital Assets, Net of Related Debt, comprises capital assets net of depreciation and reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. Internal Service Fund assets and liabilities are reported in the government-wide Statement of Net Assets as part of the governmental activities.

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities (BTAs) in state government. It does this by presenting direct and

allocated indirect costs reduced by program revenues of the function/BTA. Direct costs are those that can be specifically identified with a program. The state allocates indirect costs based on an approved Statewide Federal Indirect Cost Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants. Taxes, with the exception of unemployment insurance taxes, are presented as general revenues. General revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The state reports only its Enterprise Funds as business-type activities. The business-type activities follow all current GASB pronouncements, and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions and balances have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. In order not to misstate the sales revenue and purchasing expenses of individual functions/BTAs, the effects of interfund services provided and used have not been eliminated. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the state's component units have fiscal year ends that differ from the state's fiscal year end. However, there were no significant receivable and payable balances between the primary government and the component units at the fiscal year end reporting dates.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

The fund level statements provide additional detail about the primary government and its component units. The information is presented in four types; governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the Fiduciary Fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. All of the state's component units are reported as major.

MAJOR FUNDS:

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPES:

General Fund

Transactions related to resources obtained and used for those services traditionally provided by state government, which are not accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Public School Fund

The Public School Fund is a legally mandated fund that receives transfers from the General Fund on a quarterly basis and makes distributions to local school districts on a monthly basis. The fund also receives minor transfers from other state programs that are also distributed to the local school districts.

Highway Users Tax Fund

Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver and vehicle registration fees, and other related taxes. Other financing sources include the issuance of revenue bonds. Most of the state's infrastructure is financed by this fund.

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities and certain equipment are accounted for in the Capital Projects Fund.

State Education Fund

The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado primary education by specified programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11. The funds may not be used to supplant the General Fund appropriation

for education, which is required to grow at least five percent annually through Fiscal Year 2010-11.

PROPRIETARY FUND TYPES:

Higher Education

This fund reports the activities of all state supported institutions of higher education. A combination of transfers from the state General Fund, tuition, grants, and fees primarily funds this activity. This activity has significant capital debt secured solely by pledged revenues.

Unemployment Insurance

This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Colorado Student Obligation Bond Authority

The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado.

<u>Lottery</u>

The State Lottery encompasses the various lottery and lotto games run under state statute. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related party), the Conservation Trust Fund, and the General Fund. The funds are used primarily for open space purchases and recreational facilities throughout the state.

NONMAJOR FUNDS:

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the state categorizes and reports the following fund categories in supplementary information.

GOVERNMENTAL FUND TYPES:

Special Revenue Funds

Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include the Water Projects Construction Fund, the Labor Fund, the Gaming Fund, the Tobacco Litigation Settlement Fund, and a large number of smaller funds.

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest. The primary debt serviced by this fund consists of certain long-term lease

purchase agreements and notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds

This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the state's programs. The individual nonmajor funds included in this category are the State Lands Fund, the Controlled Maintenance Trust Fund, the Tobacco Settlement Trust Fund, and several other smaller funds. On the government-wide financial statements the net assets of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts.

PROPRIETARY FUND TYPES:

Enterprise Funds

The state uses Enterprise Funds to account for activities for which fees are charged, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds include, the Wildlife Fund, the Guaranteed Student Loan Fund, the State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, and several smaller funds.

Internal Service Funds

The state uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The state's Internal Service Funds reported in supplementary information included Central Services, General Government Computer Center, Telecommunications, Capitol Complex, Highways, and Public Safety. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPES:

The Fiduciary Funds use the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt. The resources reported in Fiduciary Fund types are not available for use in the state's programs; therefore, none of the Fiduciary Funds are included in the government-wide financial statements.

Pension Trust Funds

In the basic financial statements, the state reports in a single column, the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. (Financial statements are presented in Note 21). Participation in this defined contribution plan is limited to select employees – primarily legislators. Most state employees are covered by the defined benefit plan operated by the Public Employees Retirement Association. (See Note 19.)

Investment Trust Fund

As directed by statute, the state operates an external investment account solely for the benefit of the Colorado Compensation Insurance Authority (a related party doing business as Pinnacol Assurance).

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts (including escheats activity), the College Savings Plan operated by the Colorado Student Obligation Bond Authority, and several smaller funds.

Agency Funds

Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as operating transfers-in or operating transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

Component Units

The Denver Metropolitan Major League Baseball Stadium District uses proprietary fund accounting in preparation of its financial statements. The district implement Governmental Accounting Standards Board (GASB) Statement No. 34 for its fiscal year ended December 31, 2001. CoverColorado uses proprietary accounting in preparing its financial statements, and applies applicable

GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for both entities is presented as of December 31, 2001.

The Colorado Water Resources and Power Development Authority is engaged only in business-type and fiduciary activities. It uses proprietary fund accounting for its operations except for an agency fund, which is not presented in the State's financial statements. The authority implemented GASB Statements No. 33, 34, 37, and 38 for its fiscal year ended December 31, 2001. The authority's financial information is presented as of December 31, 2001.

The University of Colorado Hospital Authority uses proprietary fund accounting for their operations. The financial statements for the Hospital Authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting. Financial information for the authority is presented as of June 30, 2001.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE STATEMENTS:

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction.

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the state has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets may be recognized if received before eligibility requirements are met.

FUND LEVEL FINANCIAL STATEMENTS:

Governmental Funds:

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The state defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used in the estimation of the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due by June 30.
- Net income taxes from individuals, corporations, and trusts are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate the taxpayer's current income. The revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized as a liability in the fund when:

- The related liability is incurred and is due and payable in full (examples include, salaries, professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the debt service fund and the debt service is payable within thirty days of fiscal year end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, special termination benefits, and environmental postremediation liabilities are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds:

All transactions and balances of the proprietary and Fiduciary Fund types are reported on the full accrual basis of accounting as describe above for the government-wide statements.

Component Units

The Colorado Water Resources and Power Development Authority utilizes the accrual basis of accounting in preparing its financial statements under which revenues are recognized when earned and expenses are recognized when incurred. The authority elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

The University of Colorado Hospital Authority has elected to adopt the provisions of the American Institute of Certified Public Accountants' <u>Audit and Accounting Guide for Health Care Organizations</u>. Under these provisions, the hospital has qualified as a governmental entity. In applying governmental GAAP, the hospital has elected to apply the provisions of all relevant pronouncements of FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET ASSETS

A. CASH AND POOLED CASH

Primary Government

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, and pooled cash with the State Treasurer.

Component Units

The University of Colorado Hospital Authority and CoverColorado consider highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Denver Metropolitan Major League Baseball Stadium District and the Colorado Water Resources and Power Development Authority consider investments with maturity of three months or less when purchased to be cash equivalents.

B. INVENTORY

Inventories of the various state agencies primarily comprise finished goods inventories held for resale by Correctional Industries, and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The state uses various valuation

methods (FIFO, average cost, etc.) depending upon the state agency. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

C. INVESTMENTS

For the primary government, items classified as investments, including those held by the State Treasurer and represented as pooled cash, are both short and long-term investments. These are stated at fair value except for certain money market investments. (See Note 15.) Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records interest based on book yield as adjusted for amortization of premiums and discounts.

D. CAPITAL ASSETS

Primary Government

Capital assets are reported at cost on the government-wide *Statement of Net Assets*. Donated capital assets are carried at their fair market value at the date of donation, and all land is capitalized without regard to cost. The state capitalizes furniture, equipment, and works of art when the cost of the item or collection exceeds \$5,000, but it uses a higher threshold for buildings (\$50,000) and infrastructure (\$500,000). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

Infrastructure owned by the Colorado Department of Transportation is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded. (See Note RSI-2 to the Required Supplementary Information for more information on the modified approach). Other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

The state does not capitalize interest incurred during the construction of capital assets unless the asset is reported in an Enterprise Fund.

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating their capital assets.

The following table lists the range of lives that state agencies use in depreciating capital assets.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	2	50
Buildings	5	88
Leasehold Improvements	8	25
Equipment	1	50
Library Books	5	15
Collections	23.5	23.5

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of fixed assets. Due to the ongoing relocation of its main campus, the hospital evaluates long-lived assets annually for impairment. No adjustments for impairment have been recognized for the years ended June 30, 2001 or 2000. The authority depreciates capital assets over the estimated useful live of the asset class using the straight-line method.

E. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures are made. On the fund level financial statements, revenues related to taxes receivable that the state does not expect to collect until after the following fiscal year are deferred. However, these receivables are recognized as revenue on government-wide financial statements

F. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to their respective accrued balance on July 1, 1988 plus 360 additional hours. After earning the maximum accrual, each employee converts five hours of sick leave to one hour of annual leave. Employees are paid for one-fourth of their unused sick leave upon death or retirement.

Annual leave is earned at increasing rates based on employment longevity. In no event can a classified employee accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving state service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. However, the entire compensated absence liability is recognized on the government-wide Statement of Net Assets. For all other fund types, both current and long-term portions are recorded as individual fund liabilities.

Component Units

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability or serious health conditions. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base which will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

G. INSURANCE

The state has an agreement with the Colorado Compensation Insurance Authority (CCIA), a related party, to act as the third party administrator for the state's self-insured workers' compensation claims. The state reimburses CCIA for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The state insures its property through private carriers and is self-insured against general liability risks for both its officials and employees. (See Note 22.)

H. NET ASSETS AND FUND BALANCES

In the attached financial statements, assets in excess of liabilities are represented in two ways based on the measurement focus used in reporting the fund.

On the government-wide Statement of Net Assets, the proprietary funds' Statement of Net Assets, and the fiduciary fund Statement of Fiduciary Net Assets, net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by the external party that provided the resources to the

government, by the State Constitution, by enabling legislation, or by the nature of the asset (such as, in the case of capital assets).

On the Balance Sheet - Governmental Funds, assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation; however, management may make designations of unreserved fund balance that signal management's intent that certain fund balance amounts are currently unavailable for appropriation. Unless a fund represents a legal segregation (such as, a Special Revenue Fund or Fiduciary Fund), designated unreserved fund balances are not legally segregated, but rather, they indicate tentative management plans for future use of funds.

The following paragraphs describe the restrictions reported in the financial statements.

<u>Invested in Capital Assets Net of Related Debt</u> – This item comprises capital assets net of accumulated depreciation if applicable. It is reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

Restricted for Highway Construction and Maintenance - A portion of the Highway Users Tax Fund is restricted based on enabling legislation. The unrestricted portion of the fund is appropriated for activities other than construction and maintenance; however, unexpended balances of these appropriations revert to the Highway Users Tax Fund for use in construction and maintenance.

Restricted for Unemployment Insurance – The entire net assets balance of the Unemployment Insurance Fund, a major Enterprise Fund, is reported as restricted because federal regulations limit its use to paying unemployment insurance claims.

Restricted for State Education - The entire net assets balance of the State Education Fund, a major governmental fund, is restricted based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000.

Restricted for Debt Service - The net assets of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation, but also include payments on Certificates of Participation issued by the Department of Personnel and Administration. The Higher Education Institutions Enterprise Fund also reports certain balances restricted for principal and interest payments on revenuebonded debt.

Restricted for Emergencies – The state legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues. (See Note 8B.)

Restricted Permanent Funds and Endowments – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, and the endowment portion of the Higher Education Institutions Enterprise Fund that must be maintained in perpetuity. The restricted balances reported as expendable are the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Court Awards and Other Purposes – The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party.

The following paragraphs describe the reservations reported in the fund-level financial statements.

The fund balance of the General Fund is reserved as provided by statute or as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis is available for appropriation or working capital. Since the state is prohibited by its constitution from incurring general obligation debt, the General Fund surplus on the budgetary basis must be positive at year end.

Reserved for Encumbrances - In the General Fund, this reserve is for the portion of the current fiscal year appropriation that was encumbered for goods and services that were not received before June 30 due to extenuating circumstances. The specific appropriation related to these items is rolled-forward to the following fiscal year.

In the Special Revenue and Capital Projects Funds this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects. Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

Reserved for Noncurrent Assets – This item reserves the portion of fund balance that relates to long-term interfund receivables and other long-term assets that are not offset by deferred revenue. These assets are not currently available for appropriation.

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation but also include payments on Certificates of Participation issued by the Department of Personnel and Administration.

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and certain other projects that are allowed to maintain a fund balance in the Capital Projects fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement to reserve four percent of General Fund expenditures, and it is only presented when the unreserved fund balance is positive. However, in the Fiscal Year 2001-02, the legislature eliminated the four percent reserve for both GAAP and budget basis purposes as part of its plan to address a revenue shortfall and the pay out of the \$927.2 million TABOR refund deferred from Fiscal Year 2000-01.

Reserve for Emergencies – The state legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues. See Note 8B for more information on the current year amount of the emergency reserve.

Reserve for Funds Reported as Restricted – This reserve is the portion of fund balance that is restricted by the State Constitution, enabling legislation or external parties. The balances are reserved because they are restricted; and therefore, are not available for appropriation for general governmental purposes.

<u>Unreserved - Designated for Unrealized Investment Gains</u> – In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments.

I. RESTATEMENT OF BEGINNING BALANCES

The following table shows how ending fund balances and fund equities reported in the Fiscal Year 2000-01 Comprehensive Annual Financial Report were restated as beginning fund balances and net assets for reporting under the new fund structure dictated by GASB 34.

The most significant changes in fund structure occurring between Fiscal Year 2000-01 and Fiscal Year 2001-02 include the following:

- Major funds were identified and separately reported based on thresholds specified in GASB 34 and other qualitative factors. In prior years, all funds were reported by fund type, as defined by generally accepted accounting principles, without respect to whether the fund type was significant.
- A large number of individual funds previously reported as restricted in the General Fund are now presented as Other Governmental Funds (mostly Special Revenue Funds).
- The Wildlife Fund previously reported as a Special Revenue Fund is now reported as an Other Enterprise Fund as the result of legislation passed in the 2001 legislative session that made the fund a TABOR exempt enterprise.

- The Unemployment Insurance Fund previously reported as an Expendable Trust Fund in the Trust and Agency Funds is now reported as a major Enterprise Fund as required by GASB Statement No. 34.
- The College and University Funds previously reported in separate financial statements within the General Purpose Financial Statements are now reported as a major Enterprise Fund – Higher Education Institutions.
- Several Nonexpendable Trust Funds previously reported in the Trust and Agency Fund Type are now reported as Other Governmental Funds (as Permanent Funds).

See Note 28 for adjustments to beginning fund balance related to accounting changes and corrections of prior year balances.

(Amounts in Thousands)

			PI	REVIOUS REI	PORTING MO	DEL FUND	TYPES			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Asset Accout Group	College and University Funds	Total
NEW REPORTING MODEL MAJOR FUNDS AND OTHER REPORTING UNITS	_									
GOVERNMENTAL FUNDS: General Public School Highway Users Tax Capital Projects State Education Other Governmental	\$ (426,92 10,12 32,91 412,36	5 - - 1,476,720 6 - - 168,811	-	\$ - - - 383,598 - -	\$ - - - - - 3,884	\$ - - - - - -	\$ - - - - 858,703	\$ - - - - -	\$ - - - - - -	\$ (426,926) 10,125 1,476,720 416,514 168,811 1,860,142
PROPRIETARY FUNDS: Higher Education Institutions Unemployment Insurance Student Obligation Bond Authority State Lottery Other Enterprise Internal Service		 - 50,360	- - - - -	- - - - -	88,374 1,912 93,792	- - - - 16,354	824,402 - - - -	- - - - -	3,829,085 - - - - -	3,829,085 824,402 88,374 1,912 144,152 16,354
FIDUCIARY FUNDS: Pension and Employee Benefit Trust Investment Trust Private Purpose Trust		- - - -	- - -	- - -	- - -	10,716 - -	319,438 940,619 74,286	- - -	- - -	330,154 940,619 74,286
ACCRUAL ADJUSTMENTS			-	-	-	-	-	1,935,907	-	1,935,907
Total	\$ 28.47	8 \$2,271,610	\$ 9,474	\$ 383,598	\$ 187,962	\$ 27.071	\$3.017.447	\$1.935.907	\$3.829.085	\$11,690,632

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes with the exception of Unemployment Insurance taxes are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other

revenues are reported as program revenues. In general program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions,
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide Statement of Activities. In general the allocation reduces costs shown in the general government functions and increases costs in the other functions and Business-Type Activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2000-01. The Plan uses cost from Fiscal Year 1999-00 that will be incorporated in state agency indirect cost rates to be charged to federal grants in Fiscal Year 2003-04. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide Statement of Net Assets. However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the Statement of Activities.

C. OPERATING REVENUES AND EXPENSES

Primary Government

The state reports four major Enterprise Funds and several nonmajor Enterprise Funds. Because these enterprises engage in a wide variety of activities, the state's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Assets* and income from operations on the *Statement of Cash Flows*. However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds for which the core business activity is lending are reported as operating revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets but are reported as investing activities on the Statement of Cash Flows.
- Rental income of proprietary funds for which the core business activity is real estate services is reported as operating revenue on the *Statement of Revenues*, *Expenses*, and Changes in Net Assets but is reported as a capital and related financing activities on the *Statement of Cash Flows*.
- Fines, donations, and certain grants and contracts may be reported as nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets but are reported as cash from operations on the Statement of Cash Flows.

The state higher education institutions have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service or related support services to an individual or entity separate from the institution.

Component Units

The Denver Metropolitan Major League Baseball Stadium District defines operating revenues as those revenues for which cash flows are reported as operating activities, that is, derived from its principal on-going operations (lease of the Ballpark and related activities). Non-operating revenues include revenue from other than exchange or exchange-like transactions, such as, taxes, interest, and other income.

NOTES 8 and 9 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance, and earned federal revenues, are less than cash and federal expenditures, then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds.

The State Controller may allow certain overexpenditures of the legal appropriation with the approval of the Governor as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The Department of Human Services is allowed \$1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its compensation plan. The Department of workers' Corrections was allowed unlimited overexpenditures for the purchase of pharmaceuticals and certain medical services in Fiscal Year 2001-02 only. Statute also allows overexpenditures up to \$1 million in total for the remainder of the executive branch. An additional \$1 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

If the State Controller restricts the subsequent year appropriation for an overexpenditure, the agency is required to seek a supplemental appropriation from the General Assembly or reduce their subsequent year's expenditures.

Total overexpenditures at June 30, 2002, were \$2,938,678. The State Controller has recommended that future appropriations be restricted by that amount. Overexpenditures at June 30, 2002, are described below.

Department of Human Services Overexpenditures Other Than Medicaid:

Self Sufficiency - Colorado Works Program - Works Program Evaluation. - The Department of Human Services overexpended this budget line item by \$332,787 of federal funds provided by the Temporary Assistance to Needy Families (TANF) Program. The TANF program provides cash and other benefits and services intended to promote sustainable employment for low-income families with children. The department overexpended the budget line because it failed to request a supplemental appropriation to pay for audit cost disbursed to contract auditors by the State Auditor.

Statewide Overexpenditures Subject to the \$1 Million Limit:

- Colorado State Fair Program Costs. The Department of Agriculture overexpended this appropriation by \$29,438. The State Fair earned cash funds revenue adequate to cover the overexpenditure but did not have the spending authority to make the disbursement. The department will submit a supplemental budget request for Fiscal Year 2002-03.
- Motor Vehicle Business Group Vehicle Emissions <u>Operating Expenses</u> - The Department of Revenue overexpended this cash funded appropriation by \$1,458 due to expenditures accrued for inventory usage that department management did not anticipate.

Department of Corrections Overexpenditures Not Subject to Limitation:

- Institutions Medical Services Subprogram -Purchase
 of Pharmaceuticals The Department of Corrections
 overexpended this general funded appropriation by
 \$985,692 due the difficulty in predicting price inflation
 associated with pharmaceuticals dispensed to inmates
 at correctional facilities.
- Institutions Medical Services Subprogram Purchase
 of Medical Services from Other Medical Facilities –
 The Department of Corrections overexpended this
 general funded appropriation by \$790,626 due to the
 difficulty in predicting price inflation associated with
 purchased medical services.

Other Overexpenditures – Expenditures Exceeding Earned Revenue Plus Statutory Fund Balance (This overexpenditure is not statutorily approvable.):

Oil and Gas Commission - Personal Services – The Oil and Gas Commission in the Department of Natural Resources did not have adequate fund balance and failed to earn enough cash fund revenues to cover its expenditures. The revenue shortfall was due to fluctuations in natural gas commodity prices. The commission's management failed to control expenditures because it erroneously assumed funds could be transferred from the Oil and Gas Environmental Response Fund.

Judicial Branch Transfers and Overexpenditures in Excess of \$1 Million (This overexpenditure is not statutorily approvable.):

Office of the Child's Representative - Court Appointed <u>Counsel</u> - The Office of the Child's Representative oversees and pays for court mandated legal representation for children. Due to expenditures of this office, the Judicial Branch exceeded its transfer and overexpenditure authority by \$436,202. The overexpenditure was caused by unanticipated increases in both the number and complexity of cases.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain state revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the state as a whole, not to individual funds, departments or agencies of the state.

Annual revenues that exceed the constitutional limitation must be refunded, unless voters approve otherwise. The state did not exceed the TABOR limit in Fiscal Year 2001-02. Before Fiscal Year 2001-02, the state exceeded the revenue growth limitation in each year since Fiscal Year 1996-97. The outstanding unpaid refund of \$20.3 million from Fiscal Year 2000-01 is shown as the TABOR Refund Liability on the government-wide *Statement of Net Assets* and the fund-level *Balance Sheet – Governmental Funds*.

Colorado Revised Statutes 24-75-201 requires that the TABOR refund not be included in the General Fund budgetary fund balance (General Fund Surplus) in the year in which the excess revenues were recorded. Instead, the budgetary fund balance is reduced in the following year by reporting an expenditure equal to the excess revenue reduced by any amount the voters authorize the state to retain. Therefore, the *Schedule of Revenues, Expenditures, and Changes in General Fund Surplus— Budget and Actual—Budgetary Basis* (in the Required Supplementary Information) shows a \$927.2 million expenditure related to the Fiscal Year 2000-01 TABOR refund. A separately

issued audited report of TABOR computations for Fiscal Year 2001-02 will be available from the State Controller's Office in December 2002.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2001-02 this amount was \$233,424,337. An Executive Order by the Governor transferred \$15,000,000 from the Severance Tax Trust Fund to the Disaster Emergency Fund to fund firefighting efforts in June 2002. This reduced the required reserve to \$218,424,337. At June 30, 2002, the financial net assets of the following funds were applied to the reserve:

- Wildlife Cash Fund (a nonmajor Enterprise Fund) \$38,813,100
- Employment Support Fund (a nonmajor Special Revenue Fund) – \$27.474.176
- Severance Tax Trust Fund (a nonmajor Special Revenue Fund) \$81,664,031

The remaining amount of \$70,473,030 needed to meet the emergency reserve requirement comes from the \$139.98 million of Capital Assets Net of Related Debt shown for the Wildlife Fund on the *Combining Statement of Net Assets – Enterprise Funds*. In the event of an emergency that exceeded the financial assets in the reserve, these capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 9 – FUND BALANCE AND NET ASSETS DEFICITS

The Telecommunications Fund, an Internal Service Fund, shows a deficit unrestricted net assets of \$3,320,823 on the *Combining Statement of Net Assets – Internal Service Funds.* This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

The State Fair Authority, an Enterprise Fund, shows a deficit unrestricted net assets of \$40,881 on the *Combining Statement of Net Assets – Enterprise Funds*. This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

NOTES 10 through 18 - DETAILS OF ASSET ITEMS

NOTE 10 - CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all state agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund, unless a specific statute directs otherwise. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Fund. However, because the General Fund is the payer of last resort for the pool, its cash deficit has not been reclassified as a payable. The detailed composition of the cash and investments is shown in the annual Treasurer's Report.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The state's cash management policy is to invest all major revenues as soon as the moneys are available within the banking system. Electronic transfers are used by the state to enhance availability of funds for investment purposes.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal insurance.

The state maintains accounts for various purposes at locations throughout the state. Cash balances in these accounts that are not required for immediate use are invested in certificates of deposit by the fund custodian or moved to the State Treasurer's pooled cash investments.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes \$2,068.5 million of claims of the state's funds on monies in the treasurer's pooled cash. At June 30, 2002, the treasurer had invested \$1,973.7 million of the pool with the balance of \$94.8 million held in demand deposits and certificates of deposit. At June 30, 2002, the state had cash balances in all funds with a carrying value of \$1,692.9 million; this amount includes the \$94.8 held as cash in the treasurer's pool. The state categorizes its cash into three categories as to its risk:

• Category 1 is federally insured deposits, or deposits fully collateralized with securities held by the state or its agent in the state's name.

- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
- Category 3 is uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the state's name.

The bank balances of these funds are categorized by risk as follows:

Risk	Bank Balance
Category	June 30
1 2 3	\$ 677,204,372 1,014,927,895 1,272,654
Total	\$ 1,693,404,921

Component Units

At December 31, 2001, the Colorado Water Resources and Power Development Authority had federally insured cash deposits with a bank balance of \$332,285. It also reported as cash and cash equivalents \$43.9 million held by the State Treasurer in an Agency Fund, \$57.5 million held in a local government investment pool, and \$13.1 million held in money market mutual funds. These amounts are not subject to custodial, insurance, or collateralization risk classification, but they include \$7.3 million of agency fund cash balances that are not presented in the state's financial statements.

At December 31, 2001 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of \$17,628. They also had \$3,520,185 in money market funds invested in obligations of the U.S. government or its agencies. The money market funds are carried at cost, which approximates market value. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk.

NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows* – *All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real

accounts (that is, accounts shown on the *Statement of Net Assets*) and be reported outside of the Cash From Operation section of the *Statement of Cash Flows*. The following general types of transaction are reported as noncash:

- Capital Assets Funded By the Capital Projects Fund Most capital construction projects fund by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contibutions when the asset is received, and no cash transaction is reported on the Statement of Cash Flows. Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the Statement of Cash Flows.
- Donation of Capital Assets Capital assets received as donations are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows*. Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Asset*; therefore, they are reported as noncash.
- Unrealized Gain/Loss on Investments Nearly all proprietary funds recorded unrealized gains on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains on the Treasurer's pool are shown as increases in cash balances. The unrealized gains/losses on investments individually held are shown as increases/decreases in investment balances, and therefore, are reported as noncash transactions. Note 15 shows the combined effect of these two sources of unrealized gains/losses.
- Loss on Disposal of Capital Assets When the cash received at disposal of a capital asset is less than the undepreciated balance of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the Statement of Net Assets, but since no cash is exchange for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjust debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets*. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability

balances reported on the *Statement of Net Assets*. Therefore, these transactions are reported as noncach.

NOTE 12 – RECEIVABLES

Primary Government

The taxes receivable of \$884.6 million shown on the government-wide *Statement of Net Assets* comprises:

- \$736.0 million primarily of self-assessed income, estate, and sales taxes recorded in the General Fund,
- \$56.6 million primarily of fuel taxes recorded in the Highway Users Tax Fund, a major Special Revenue Fund, and
- \$55.7 million recorded in nonmajor Special Revenue Funds, approximately one-half of which is from gaming taxes and insurance premium taxes, and the balance is primarily from severance taxes and employment taxes.

The other receivables of \$1,038.7 million shown on the government-wide *Statement of Net Assets* are net of a deduction of \$74.1 million in allowance for doubtful accounts and comprise the following:

- \$730.3 million of student loan receivables of the Colorado Student Obligation Bond Authority, a major Enterprise Fund,
- \$129.6 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund,
- \$90.6 million of receivables recorded in the General Fund of which \$30.0 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded \$42.1 million related primarily to certification of providers expenditures as match for Medicaid grant funds, rebates from drug companies, and overpayments to healthcare providers.

The other long-term assets line item reported on the government-wide *Statement of Net Assets* includes \$260.4 million of long-term loans and other external receivables. This balance mainly comprises:

- \$168.8 million of loans of the Water Projects Funds, a nonmajor Special Revenue Fund, made to local governments and special districts, and
- \$54.4 million of student loans of Higher Education Institutions, a major Enterprise Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of \$576.5 million and \$514.8 million at December 31, 2001 and 2000, respectively. During 2001 the authority made new loans of

\$89.7 million and canceled or received repayments for existing loans of \$28.0 million.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (25 percent), Medicaid (10 percent), managed care including Blue Cross (44 percent), and other commercial insurance (11 percent). However, the authority's management does not believe there are credit risks associated with these payers. Further, the authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2000-01 and 1999-00 were approximately \$123.0 million and \$106.9 million, respectively. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the Hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The hospital reports pledges at their net present value. As a result, three pledges totaling \$65 million were discounted at rates ranging from 4.25 percent to 5.88 percent and are reported as receivables in the amount of \$46.1 million.

NOTE 13 – INVENTORY

Inventories of \$52.2 million shown on the government-wide *Statement of Net Assets* at June 30, 2002, consisted of:

- \$7.9 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- \$17.3 million of resale inventories recorded primarily by Higher Education Institutions, a major Enterprise Fund,
- \$27 million of consumable supplies inventories recorded primarily by the Highway User's Tax Fund, a major Special Revenue Fund, and by Higher Education Institutions, a major Enterprise Fund.

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, advances and deferred charges of \$122.3 shown on the government-wide *Statement of Net Assets* are primarily related to:

- \$72.2 million advanced to local governments for highway construction by the Highway Users Tax Fund, a major Special Revenue Fund,
- \$15.5 million advanced to Colorado counties by the General Fund related to social assistance programs, and,
- \$11.5 million of prepaid expenses primarily related to revenue bond issuance costs of Higher Education Institutions, a major Enterprise Fund.

NOTE 15 – INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for certain entities as provided by law. The state does not invest its funds with any external investment pool; rather, funds not required for immediate payments are administered by the authorized custodian of the funds or pooled and administered by the State Treasurer.

The fair value of the state's investments are determined from quoted market prices except for money market investments that are reported at amortized cost which approximates market.

The following schedule reconciles deposits and investments to the financial statements for the primary government:

(Amounts in Thousands)					
		Carrying			
Footnote Amounts		Amount			
Deposits (Note 10)	\$	1,692,909			
Investments		5,827,396			
Total	\$	7,520,305			
Net Assets and Fiduciary Net Assets Amounts	6				
Net Cash and Pooled Cash	\$	2,129,065			
Add: Warrants Payable Included in Cash		196,339			
Total Cash and Pooled Cash		2,325,404			
Add: Restricted Cash		1,341,161			
Add: Restricted Investments		141,179			
Add: Investments		3,712,561			
Total	\$	7,520,305			

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. Realized gains from the sale of investments related to the Treasurer's pooled cash were \$6,921,814 for Fiscal Year 2001-02. Excluding the

Individual Investment Trust Fund, the Deferred Compensation Plan, and the Defined Contribution Plan, the state realized \$9,456,907 of net realized losses from the sale of investments of other funds during Fiscal Year 2001-02.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related party. At June 30, 2002 and 2001, the treasurer had \$57.23 million and \$34.02 million at fair value, respectively, of GOCO's funds on deposit and invested. The treasurer also maintains an individual investment trust fund for the Colorado Compensation Insurance Authority (dba, Pinnacol Assurance), a related party. At June 30, 2002, and 2001, the treasurer had 1,129 million and \$927.20 million at fair value, respectively, of CCIA's funds on deposit and invested.

Colorado Revised Statutes 24-75-601.1 authorizes the type of investments that the state may hold. In general, the statute requires securities that are of the highest quality as determined by national rating agencies, those guaranteed by another state or the federal government, or a registered money market fund whose policies meet criteria set forth in the statute. The state may also enter securities lending agreements that meet certain collateralization and other requirements.

The state categorizes the custodial risks of its investments into the following categories:

- Category A is those investments that are insured or registered securities held by the state or its agent in the state's name.
- Category B is those investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
- Category C is those investments that are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the state's name.

Open-end mutual funds and certain other investments are not categorized as to custodial risk because ownership is not evidenced by a security. The following table lists the state's investments by type and risk category:

(Amounts in Thousands)

	Risk Category						
Type of Investment*	А	В		С		Fair Value	
U.S. Government Securities	\$ 1,790,017	\$	-	\$ 10,202	\$	1,800,219	
Commercial Paper	6,595		-	1,627		8,222	
Corporate Bonds	1,146,921		-	1,621		1,148,542	
Corporate Securities	6,146		-	975		7,121	
Repurchase Agreements	73,409		44	8,075		81,528	
Asset Backed Securities	561,573		-	-		561,573	
Mortgages	722,275		-	-		722,275	
Total	\$ 3,584,661	\$	44	\$ 22,500		4,329,480	
Investments not Subject to Cat Mutual Funds Guaranteed Investment Agree Other	3					1,360,432 63,130 74,354	
Total Investments					\$	5,827,396	

^{*}Note: Amounts include the treasurer's pool and individual investment accounts.

The following schedule shows the state's net unrealized gains and (losses) by fund category.

(Amounts in Thousands)

	Fiscal Year 2001-02	Fiscal Year 2000-01
Governmental Activities:		
Major Funds		
General Fund	\$ 9,329	\$ 17,833
Highway Users Tax	4,720	11,224
Capital Projects	(6,676)	11,340
State Education	(149)	2,614
NonMajor Funds:		
State Lands	8,554	14,644
Controlled Maintenance	6	10,833
Tobacco Settlement (Permanent Trust)	(2,958)	2,630
Other Permanent Trusts	70	98
Water Projects	579	2,325
Labor	(10,410)	12,546
Gaming	1,526	1,813
Tobacco Settlement (Special Revenue)	1,005	1,908
Other Special Revenue	2,987	7,882
Highways (Internal Service)	25	52
Business Type Activities:		
Major Funds		
Higher Education Institutions	(6,459)	(12,972)
Student Obligation Bond Authority	4,381	(7,223)
Lottery	218	608
NonMajor Funds:		
Wildlife	605	2,054
Guaranteed Student Loan	470	1,270
State Fair Authority	5	29
Correctional Industries	37	104
State Nursing Homes	5	60
Other Enterprise Activities	4	9
Fiduciary:		
Pension/Benefits Trust	229	672
Investment Trust	17,710	29,417
Private Purpose Trust	(41,051)	(3,871)
	\$ (15,237)	\$ 107,895

Component Units

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which governmental units may invest. The risk criteria are defined the same as for the primary government.

The Colorado Water Resources and Power Development Authority investments are reported at fair value.

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in non-operating income when earned.

The hospital uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. At June 30, 2001, the hospital was party to two swap agreements having notational amounts of \$50 million and \$72 million. The fair value of the swaps was \$1,644,000 and (\$91,000), respectively, based on the gross unrealized market gain/loss. Gains and losses are reported in income, as the agreements do not qualify for hedge accounting. Both interest rate swaps are scheduled to terminate in 2006.

The following table lists the component units' investments by type and risk category:

(Amounts in Thousands)

	Risk Category					Total		
Type of Investment	Α		В		С		Fair Value	
U.S. Government Securities	\$	79,347	\$	-	\$	9,799	\$	89,146
Repurchase Agreements		-		-		230,900		230,900
Corporate Bonds		48,374		-		-		48,374
Equity Securities		33,172		-		-		33,172
Other		1,339		-		-		1,339
Subtotal	\$	162,232	\$	-	\$	240,699)	402,931
Uncategorized							,	78,867
Total							\$	481,798

NOTE 16 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all state agencies with the exception of the University of Colorado. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains and losses and interest earnings, adjusted for amortization of premium and discounts, are distributed monthly, prorated to the average of the participant's daily balance during the month, if the participant is authorized to receive interest and investment earnings by statute.

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2001-02, the treasurer loaned U.S. government, federal agencies' securities, mortgage pools, and collateralize mortgage obligation securities, held for the Colorado Compensation Insurance Authority to Morgan Stanley. The agreement with Morgan Stanley requires that all securities must be collateralized. The State Treasurer also loaned U.S. government and federal agencies securities held for the Colorado Treasury Pool, the State Lands Fund, the Labor Fund, the Prepaid Tuition Fund (a portion of the Colorado Student Obligation Bond Authority), the State Education Fund, and the Controlled Maintenance Trust Fund (currently held in the General Fund) to Deutsche Bank. Morgan Stanley and Deutsche Bank pay the treasurer an agreed upon fee for use of these securities. Under their agreement, Duetsche Bank is only required to collateralize securities that are on loan. Collateral is deposited and held in a custodial bank.

Currently, collateral held by the custodial bank includes A-rated or better domestic corporate bonds, mortgage pools, U.S. treasuries, and federal agencies securities. Corporate securities held as collateral must equal at least 105 percent of the market value of the loaned securities, while government securities must equal at least 102 percent of the market value. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the Treasurer accept cash as collateral.

Morgan Stanley, acting as the principal, and Deutsche Bank, acting as agent and fiduciary, are directly responsible for safeguarding the assets. Each carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2002, the market value of securities on loan from the Colorado Compensation Insurance Authority to Morgan Stanley was \$504,483,401. The market value of the collateral securities pledged was \$531,077,919. At June 30, 2002, the market value of the state securities held by Deutsche Bank was \$1,235,864,598; however, only 78 percent of those securities, valued at \$963,974,386, were actually on loan at June 30, 2002. The market value of the related pledged collateral was \$1,013,009,994.

NOTE 17 – CAPITAL ASSETS

Primary Government

Capital asset activity for the Fiscal Year 2001-02 was as follows:

(Amounts in Thousands)

	Beginning Balance	Accounting Changes and Adjustments	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated Land	\$ 148,916	\$ (75,741)	\$ 4,766	\$ (4,056)	\$ 73,885
Land Improvements	φ 110,510 -	1,884	2,381	-	4,265
Collections	-	- · · · · ·	7,847	-	7,847
Construction in Progress Infrastructure	147,745	(35,839) 9,910,921	766,955	(48,557)	830,304 9,910,921
Total Capital Assets Not Being Depreciated	296,661	9,801,225	781,949	(52,613)	10,827,222
Capital Assats Boing Depresiated					_
Capital Assets Being Depreciated Land Improvements	106,182	(76,787)	9,953	(5,173)	34,175
Buildings	1,170,850	(17,230)	96,463	(6,937)	1,243,146
Leasehold Improvements	39,547	(3,955)	6,630	(4,476)	37,746
Equipment Library Books	445,283	(14,643)	44,041 100	(5,331)	469,350 5 527
Other Capital Assets	9,231 29,994	(2,991) 6,380	3,045	(813) (18,500)	5,527 20,919
Infrastructure		18,594	983	(245)	19,332
Total Capital Assets Being Depreciated	1,801,087	(90,632)	161,215	(41,475)	1,830,195
Less Accumulated Depreciation					
Land Improvements	- (452)	(18,000)	(1,666)	4,233	(15,433)
Buildings Leasehold Improvements	(452) (609)	(335,250) (14,858)	(36,489) (1,212)	90 173	(372,101) (16,506)
Equipment	(89,792)	(141,803)	(21,891)	14,249	(239,237)
Library Books	-	(5,298)	(388)	910	(4,776)
Other Capital Assets	-	(16,978)	- (7.02E)	- 0E	(16,978)
Infrastructure Total Accumulated Depreciation	(90,853)	(532,187)	(7,035) (68,681)	85 19,740	(6,950) (671,981)
·				,	
Total Capital Assets Being Depreciated, net	1,710,234	(622,819)	92,534	(21,735)	1,158,214
TOTAL GOVERNMENTAL ACTIVITIES	2,006,895	9,178,406	874,483	(74,348)	11,985,436
BUSINESS TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated	66.252	04 500	12 507	(2.625)	450 765
Land Land Improvements	66,353	81,530 6,162	13,507 10,107	(2,625) (976)	158,765 15,293
Collections	-	1,079	8,594	(53)	9,620
Construction in Progress	364,556	<u> </u>	239,656	(136,598)	467,614
Total Capital Assets Not Being Depreciated	430,909	88,771	271,864	(140,252)	651,292
Capital Assets Being Depreciated					
Land Improvements	168,071	22,944	31,639	(15,988)	206,666
Buildings	2,149,616	16,627	179,803	(6,074)	2,339,972
Leasehold Improvements Equipment	6,147 551,248	1,665 13.034	5,523 57,603	(98) (69,518)	13,237 552,367
Library Books	307,216	1,004	28,524	(11,154)	325,590
Collections	-	-	5,335	(4,416)	919
Other Capital Assets	1,906	7,508	239	(962)	8,691
Infrastructure Total Capital Assets Being Depreciated	3,184,204	22,994 85,776	245 308,911	(108,210)	23,239 3,470,681
Less Accumulated Depreciation					
Land Improvements	(1,377)	(81,475)	(4,945)	1,410	(86,387)
Buildings	(14,762)	(795,829)	(76,994)	9,789	(877,796)
Leasehold Improvements	(798)	(4,303)	(641)	278	(5,464)
Equipment	(21,338)	(361,110)	(49,166)	44,107	(387,507)
Library Books Collections	-	(187,779) (466)	(15,479) (21)	1,877 5	(201,381) (482)
Other Capital Assets	(17)	-	(3)	-	(20)
Infrastructure	- (20, 202)	(10,277)	(2)	-	(10,279)
Total Accumulated Depreciation	(38,292)	(1,441,239)	(147,251)	57,466	(1,569,316)
Total Capital Assets Being Depreciated, net	3,145,912	(1,355,463)	161,660	(50,744)	1,901,365
TOTAL BUSINESS ACTIVITIES	3,576,821	(1,266,692)	433,524	(190,996)	2,552,657
TOTAL CAPITAL ASSETS, NET	\$ 5,583,716	\$ 7,911,714	\$ 1,308,007	\$ (265,344)	\$ 14,538,093

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government Business, Community, Consumer Affairs Education Health and Rehabilitation Justice Natural Resources Social Assistance Transportation Internal Service Funds (Charged to programs and BTAs based on useage) Total Depreciation Expense Governmental Activities	\$ 7,933 1,611 1,123 3,974 19,228 226 1,331 9,887 16,396 61,708
BUSINESS TYPE ACTIVITIES	
Higher Education Institutions Colorado Student Obligation Bond Authority State Lottery Other Enterprise Funds	138,781 371 614 4,129
Total Depreciation Expense Business Type Activities	143,895
Total Depreciation Expense Primary Government	\$ 205,604

Component Units

The Colorado Water Resources and Power Development Authority reported capital assets of \$34,849, net of accumulated depreciation of \$147,223, at December 31, 2001.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of \$171.3 million and \$175.2 million, net of accumulated depreciation, at December 31, 2001 and 2000, respectively. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years. Accumulated depreciation was \$31.4 million and \$27.5 million at December 31, 2001 and 2000, respectively.

At June 30, 2001, the University of Colorado Hospital Authority reported gross amounts for land, buildings and improvements of \$309.1 million, equipment of \$131.8 million, and construction in progress of \$3.9 million. Accumulated depreciation related to these fixed assets was \$135.0 million

NOTE 18 – OTHER LONG-TERM ASSETS

The \$273.1 million shown as Other Long-term Assets on the government-wide Statement of Net Assets is primarily long-term loans. The \$206.0 shown on the fund-level Balance Sheet - Governmental Funds is primarily related to loans issued by the Water Projects Fund, a Special Revenue Fund. The Water Conservation Board makes these loans to local entities for the purpose of constructing water projects in the state. The loans are made for periods ranging from 10 to 40 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest. In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable not offset by deferred revenue. The \$67.1 million shown on the Statement of Net Assets - Proprietary Funds is primarily student loans issued by Higher Education Institutions.

NOTES 19 through 26 – DETAILS OF LIABILITY ITEMS

NOTE 19 – PENSION SYSTEM AND OBLIGATIONS

A. PLAN DESCRIPTION

Virtually all State of Colorado employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado, 80203 or by calling the PERA Infoline at 1-800-759-7372.

Administration of the Plan

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931, and it includes the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund. The authority to establish or amend plan benefits is retained by the General Assembly in accordance with Title 24, Article 51 of the Colorado Revised Statutes (CRS).

Members with five or more years of service automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

Defined Retirement Benefits

Plan members are eligible to receive a monthly retirement benefit when they reach age 65 or meet the age and service requirements listed below.

Service Retirement Benefits

Minimum Service Credit	Minimum Age
30 years Age and Service = 80 years or more 5 years 60 months on payroll	50 55 65 65

Reduced Service Retirement Benefits

Minimum Service Credit Mini	mum Age
25 years	50
20 years	55
5 years	60

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age -30, 50-25, 55-20 and 65-5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55, have

minimum of 5 year of service credit, and their age plus years of service equals 80 or more.

Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest annual salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit. Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit. The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

PERA retirement and survivor benefits increased at 3.5 percent compounded annually. If the member has not been retired for a full year, the benefit is increased proportionately.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and interest at the time of retirement. For members who have less than five years of service, a money purchase benefit is payable beginning at age 65.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who are under age 65 or are not eligible for retirement that withdraw from the plan receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. The interest rate paid (7.0 percent in 2001) is set at 80 percent of the PERA actuarial investment assumption rate (8.75 percent in 2001).

Disability and Survivor Benefits

PERA provides a two-tiered disability program. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits. If the member is not totally and permanently disabled, they are provided reasonable income replacement through a third party insurance carrier and rehabilitation or retraining services. If the member is totally and permanently disabled they receive disability retirement benefits based on HAS

and earned, purchased, and in some circumstances, projected service credit.

If a member dies before retirement, their survivors are entitled to a single payment or monthly benefits. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended.

Members are required to contribute 8 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

On January 1, 2001, the state began matching employees' contributions to eligible tax deferred retirement programs under the PERA Matchmaker Program. At that time the state match was contingent on PERA's actuarial determination that the plan was overfunded (actuarial value of assets in excess of actuarial liabilities). In any period in which the plan is overfunded, a reduced contribution rate is calculated that will eliminate the overfunding in ten years. The difference between the statutory rate and the reduced rate is allocated by PERA to three separate programs – 20 percent to reducing the employer's contribution, 30 percent to the Health Care Trust Fund, and 50 percent to the MatchMaker Program. However, minimum reductions in the employer contribution supersede these percentages in FY01-02 and FY02-03.

During FY01-02, the state contributed 9.9 percent (12.6 percent for state troopers and 13.5 percent for the Judicial Branch) of the employee's gross covered wages, which was allocated by PERA as follows:

- Before January 1, 2002 1.42 percent was allocated to the Health Care Trust Fund. After December 31, 2001, 1.64 percent was allocated to the Health Care Trust Fund.
- Throughout the fiscal year, the amount needed to meet the match requirement set by the PERA Board was allocated to individual member's eligible voluntary

tax-deferred retirement programs. For both calendar year 2001 and 2002, the matching amount was set at 100 percent of up to 3 percent of employee gross covered wages paid during the month (7 percent for judges in the Judicial Branch). Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match.

 The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

At December 31, 2001, the State and School Division of PERA was underfunded with an amortization period of 13 years. Per statutes, the PERA board is required to reduce the amortization period to ten years by reducing the amount available for matching contributions under the Matchmaker Program. However, the matching contribution may not change by more than one percent in any year.

The state made retirement contributions of \$135.8 million, \$156.0 million, \$174.2 million, and \$184.9 million, in Fiscal Years 2001-02, 2000-01, 1999-00, and 1998-99, respectively. These amounts do not include the Health Care Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

The Fire and Police Pension Association, a related party, was established to insure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2001-02 and 2000-01, the State Treasurer transferred \$28.9 and \$28.8 million, respectively, to the association to enhance its actuarial soundness. This included the state's cost for the accidental death and disability insurance policy the association provides to volunteer firefighters.

NOTE 20 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit

recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and it is reduced by 5 percent for each year under 20 years.

From January 1, 2001 through December 31, 2001 the Health Care Fund was maintained by a contribution of 1.42 percent of gross covered wages. After December 31, 2001, the contribution was 1.64 percent of gross covered wages. The state paid contributions of \$24.8 million, \$21.3 million, \$18.6 million, and \$14.0 million in Fiscal Years 2001-02, 2000-01, 1999-00, and 1998-99, respectively. Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for selfinsured plans, and with health maintenance organizations providing services within Colorado. The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans. As of December 31, 2001, there were 34,235 participants, including spouses and dependents, from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group decreasing-term life insurance plans offered by Prudential and Anthem Life Insurance Company (formerly Rocky Mountain Life Insurance Company). Active members may join one or both plans, and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees.

NOTE 21 – OTHER EMPLOYEE BENEFITS

Primary Government

Some employees of various institutions of higher education may be covered under other retirement plans. Presidents, deans, professors, and instructors in state educational institutions are enrolled in defined benefit plans such as the Teachers Insurance and Annuity Association, the Variable Annuity Insurance Corporation, or other similar plans.

Faculty members at the University of Colorado are also under Social Security. Faculty members at Colorado State University were covered exclusively by PERA until May 1993. Faculty members hired after that time are covered by

one of several defined contribution plans. Faculty previously covered by PERA had the choice of converting entirely to the defined contribution plan or remaining in PERA for their service until May 1993, with service after that time credited to the defined contribution plan.

The state made contributions to other pension plans of \$64.6 million and \$46.0 million during Fiscal Years 2001-02 and 2000-01, respectively. In addition, the state paid \$48.8 million and \$37.9 million in FICA or Medicare taxes on employee wages during Fiscal Years 2001-02 and 2000-01, respectively.

Medical Benefits

The Group Benefit Plans Fund (formerly the State Employees and Officials Insurance Fund) is a Pension and Other Employee Benefits Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-insured using Anthem Blue Cross Blue Shield as the plan administrator. After January 1, 2000, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims.

During Fiscal Years 1998-99, 1997-98, and 1996-97 medical claims against the Group Benefit Plans Fund (formerly the State Employees and Officials Insurance Fund) exceeded the premiums collected. This resulted in decreases in the medical reserve fund equity of approximately \$4.7 million, \$3.8 million, and \$6.5 million respectively. In Fiscal Year 1999-00, the Group Benefit Plans Fund began purchasing insurance to address the continuing decrease in the medical reserve fund equity. The fund continued to pay claims under the self-insured plan through December 31, 2001. During Fiscal Year 2001-02 at the direction of the Legislature, the Department of Personnel and Administration, transferred \$7.44 million from the Group Benefit Plans Fund to state agencies to assist the agencies in making the increased premium payments required by increasing medical costs.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan. (See Note 19-A.) The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and limited benefits for employees also covered under the PERA short-term disability plan. The Group Benefit Plans program provides an employee with 60 percent of their pay beginning after 30 days of disability or the exhaustion of the employee's sick leave balance, whichever is later. This benefit expires six months after the beginning of the

disability. The Group Benefit Plans disability program is essentially self-insured because the third party administrator of the plan has a termination premium agreement that requires the state to reimburse it if there is a deficit over the total period of insurance.

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. PERA members may make contributions of up to 23 percent of their annual gross salary, to a maximum of \$10,500. Contributions and earnings are tax deferred. On December 31, 2001, the plan had net assets of \$674.6 million and 64,632 accounts.

Employee Deferred Compensation Plan

The state initiated a deferred compensation (457) plan for state employees in 1981. This plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was \$266.2 million and \$316.7 million at June 30, 2002, and June 30, 2001, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent. The Deferred Compensation Plan, which was previously presented as an Expendable Trust Fund, is now presented as a Pension and Other Employee Benefits Trust Fund.

<u>Defined Contribution Pension Plan</u>

On January 1, 1999, the state began providing a defined contribution pension plan for certain employees identified in statute. The plan is authorized in Title 24 Article 54.7 of the Colorado Revised Statutes, and it is established and administered by the five-member Defined Contribution Retirement Committee. Changes to the plan must be consistent with the authorizing legislation. The state is the sole contributing employer of the plan.

The following classes of state employees are covered: legislators, elected state officials and their deputies, department executive directors appointed by the governor, members of the Public Utilities Commission, employees of the Governor's Office not covered by the state personnel system, and employees of the Senate and House of Representatives. Participation in the plan by eligible employees is voluntary; however, a participant cannot simultaneously be an active member in the Public Employees Retirement Association (PERA). At June 30, 2002, 176 individuals had accounts with the defined contribution pension plan.

The plan provides benefits to participants through purchased annuity contracts, certificates, or similar instruments – all of which are required to be fully portable.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan administered by PERA. During Fiscal Year 2001-02, the state contribution rate was 9.9 percent and the employee was required to contribute 8 percent of gross covered wages.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as revenues in the period in which the employee is compensated. Investments are reported at fair value. The Plan had the following concentrations of investments greater than five percent:

Investment	Balance	Percent
Valic Fixed Fund	\$ 785,810	22%
Vanguard Index 500	495,199	13%
MFS Investors Growth	443,161	12%
Vanguard Asset Allocation	390,250	10%
T. Rowe Price Small Cap	345,229	9%
Plus Fund	277,236	7%
Templeton World One	244,942	6%
MFS Investors Trust	190,726	5%
Other	624,242	16%
Totals	\$ 3,796,795	100%

The following are the financial statements for the state's pension and other employee benefits plans discussed above.

STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT PLANS JUNE 30, 2002

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS: Current Assets: Cash and Pooled Cash Other Receivables, net Prepaids, Advances, and Deferred Charges Investments	\$ 723 - - - 265,559	\$ 4 - - 3,797	\$ 16,038 12 14 -	\$ 16,765 12 14 269,356
TOTAL ASSETS	266,282	3,801	16,064	286,147
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Deferred Revenue Accrued Compensated Absences	75 - 7	- - -	1,964 11,637 26	2,039 11,637 33
TOTAL LIABILITIES	82	-	13,627	13,709
NET ASSETS: Held in Trust for: Pension/Benefit Plan Participants Unrestricted	266,200	3,797 4	2,437 -	272,434 4
TOTAL NET ASSETS	\$ 266,200	\$ 3,801	\$ 2,437	\$ 272,438

STATEMENT OF CHANGES IN NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT PLANS FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS		
ADDITIONS:						
Additions By Participants	\$ -	\$ 1,531	\$ -	\$ 1,531		
Member Contributions	14,609	-	62,003	76,612		
Employer Contributions	10,484	(250)	78,294	88,778		
Investment Income/(Loss) Employee Deferral Fees	(36,326) 560	(350)	1,499	(35,177) 560		
Other Additions	13	-	401	414		
TOTAL ADDITIONS	(10,660)	1,181	142,197	132,718		
DEDUCTIONS:	20.245	0.5		20.440		
Distributions to Participants Health Insurance Premiums Paid	39,315	95	- 113,728	39,410 113,728		
Other Benefits Plan Expense	-	-	26,791	26,791		
Administrative Expense	384	2	624	1,010		
Other Deductions	122	7	1,574	1,703		
TOTAL DEDUCTIONS	39,821	104	142,717	182,642		
TD 44/075D 0						
TRANSFERS: Operating Transfers-Out	(33)	_	(7,760)	(7,793)		
			. , ,			
TOTAL TRANSFERS	(33)	-	(7,760)	(7,793)		
NET INCREASE (DECREASE) IN ASSETS	(50,514)	1,077	(8,280)	(57,717)		
NET ASSETS AVAILABLE						
Beginning of the Year	316,714	2,724	10,717	330,155		
End of the Year	\$ 266,200	\$ 3,801	\$ 2,437	\$ 272,438		

Component Units

Employees of CoverColorado, and the Colorado Water Resources and Power Development Authority are covered under the State and School Division of PERA. (See Note 19.)

The University of Colorado Hospital Authority participates in two retirement plans, which cover substantially all of its employees. The hospital maintained a noncontributory defined benefit pension plan for its employees through March 1995. Under this plan, contributions credited to each covered employee's account were based on a percentage of compensation earned by the employee. Vesting under this plan is based on length of service. Benefits are payable as a lump sum upon retirement or separation or under several annuity options upon retirement.

As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date, and this plan was frozen. Employee accounts continue to accrue interest based on the Thirty-Year Treasury Constant Maturities rate, and covered employees not fully vested in this plan will continue to earn credit toward vesting under a new plan. As the hospital acts in a fiduciary capacity for this plan and has the ability to amend the plan at its discretion, the plan's assets and related reserves are included in the financial statements as a pension trust fund.

As of April 1, 1995, the hospital amended its retirement plan based on its ability to withdraw from the Old Age, Survivors, and Disability Insurance (OASDI) component of the Federal Insurance Contributions Act (FICA) by virtue of its operation under legislatively granted state authority. The hospital and its employees still contribute to and participate in the Medicare component of FICA. The hospital's amended plan is composed of three distinct components: a Basic Pension Plan, an Investment Account, and a Matching Account.

The Basic Pension Plan is a defined benefit plan with benefits payable based on length of service and average compensation earned by the employee during the five most highly compensated calendar years of service after 1994. Vesting under this component is based on length of service. The hospital's funding policy is to contribute amounts at least equal to the minimum funding requirements of ERISA.

The hospital made contributions of \$5.9 million and \$5.7 million to its defined benefit plans in Fiscal Years 2000-01 and 1999-00, respectively. The actuarially computed net periodic pension cost for this plan was \$5.9 million and \$5.7 million for those years. According to the unaudited actuarial report, the hospital met the annual required contribution in each of the past six fiscal years. Actuarial value of the plan assets was \$70.6 million and \$62.5 million for Fiscal Years 1999-00 and 1998-99, respectively. Excluding U.S. Treasury securities, the plan had six investments where the fair value exceeded five percent of the plan net assets;

Glenmede International Portfolio Fund – \$10.2 million, Vanguard Institutional – \$6.7 million, Janus Capital Corporation – \$9.9 million, Becker Capital Management Small Cap Equity – \$7.3 million, Cutler & Company Value Portfolio – \$10.1 million, Reams Asset Management Fixed Income – \$31.7 million.

The Investment Account is a qualified defined contribution retirement plan under the provisions of Internal Revenue Code (IRC) Section 401(a). Employees are required to contribute 6.2 percent of their gross compensation, which is equivalent to what their OASDI contributions were under FICA participation. Employees are always fully vested in this component of the plan. Total compensation covered in this plan for the years ended June 30, 2001 and 2000 was approximately \$109.4 and \$98.9 million, respectively. The hospital is required by law to provide an additional make-up contribution for certain part-time employees equal to 1.3 percent of their compensation until they are fully vested in The hospital paid make-up the Basic Pension Plan. contributions of approximately \$91,000 and \$101,000 for Fiscal Years 2000-01 and 1999-00, respectively.

The Matching Account is a qualified single-employer tax-deferred annuity plan under the provisions of IRC Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the IRC. In addition, the hospital matches employee contributions 100 percent on the first 3 percent of gross compensation contributed. Employees are always vested 100 percent in their contributions; however, the hospital's matching contributions are subject to a five-year vesting schedule. The hospital's matching contributions for Fiscal Years 2000-01 and 1999-00 were approximately \$2.17 million and \$1.79 million, respectively.

The hospital has contributed to PERA in accordance with actuarially determined funding amounts for their employees who are still state employees. Pension expense related to state employees was \$175,000 and \$213,000 for Fiscal Years 2000-01 and 1999-00, respectively. There were no transfers from PERA to the hospital's pension plan for previous state employees who have transferred their benefits to the hospital's pension plan for the years ended June 30, 2001 and 2000.

NOTE 22 – RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for certain risks of losses to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of

claims or judgments against the state except for employee medical claims. Property claims are not self-insured; the state has purchased property insurance.

All funds and agencies of the state, with the exception of the public authorities and the University of Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completed an actuarial study during Fiscal Year 2001-02 determining both the short and long-term liabilities of the Risk Management Fund.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The state uses the services of the Colorado Compensation Insurance Authority (a related party dba, Pinnacol Assurance) to administer its plan. The state reimburses the authority for the current cost of claims paid and related administrative expenses.

Before October 1, 1996, the Regents of the University of Colorado participated in the University of Colorado Insurance Pool – a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, general and property liability, and employee and university-official medical claims. An actuary projects both the pool and the selfinsured plan liabilities. The university purchases excess insurance to cover losses over a self-insured retention or deductible.

The University of Colorado Health Sciences Center's Housestaff Health Benefits Plan is a comprehensive selfinsurance health and dental benefits program for physicians in training at the Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance. Collections from the stoploss insurance totaled \$219,624 over the three previous

The University of Colorado Health Sciences Center also self-insures its faculty, staff and students for medical malpractice through the University of Colorado Self-Insurance Trust. The discounted liability for malpractice is determined annually by an actuarial study.

Colorado State University provides a medical, dental, shortterm disability, and post-retirement health care subsidy plan for academic faculty, administrative professional staff, and certain other employees. The plan was formed in 1985. The medical, dental, and short-term disability plans are funded by monthly contributions of participating employees. The university contributes one percent of covered payroll to the post-retirement health care subsidy. A third party administers the plan and provides actuarial analysis of claims liabilities. The plan purchases re-insurance for claims over \$200,000 and for aggregate claims over 125 percent of expected claims.

The Department of Human Services uses the Colorado Compensation Insurance Authority (a related party dba, Pinnacol Assurance) to administer claims related to the Human Services Workers' Compensation Plan, which was self-insured during the period from July 1, 1985, to June 30, 1990. However, new claims are administered by Risk Management and paid from the Risk Management Workers' Compensation Plan.

There were no significant reductions or changes in insurance coverage from the prior year. Settlements did not exceed insurance coverage in any of the past three fiscal years.

Changes in claims liabilities were as follows:

(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
Risk Management:				
Liability Fund				
2001-02	\$ 17,374	\$ 29,193	\$21,092	\$ 25,475
2000-01	20,488	445	3,559	17,374
1999-00	23,011	1,747	4,270	20,488
Workers' Compensation				
2001-02	81,881	19,015	35,885	65,011
2000-01	101,884	964	20,967	81,881
1999-00	102,586	19,655	20,357	101,884
Group Benefit Plans:				
2001-02	88	89	177	-
2000-01	1,705	(562)	1,055	88
1999-00	13,580	35,682	47,557	1,705
University of Colorado: General Liability, Property, and Workers' Compensation				
2001-02	11,386	2,780	3,280	10,886
2000-01	13,343	1,195	3,152	11,386
1999-00	15,305	1,433	3,395	13,343
University of Colorado Health Sciences Cent Medical Malpractice	er:			
2001-02	7,876	333	502	7,707
2000-01	7,671	1,461	1,256	7,876
1999-00	7,839	1,639	1,807	7,671
Housestaff Health Benefits				
2001-02	551	3,665	3,547	669
2000-01	541	2,598	2,588	551
1999-00	553	2,390	2,402	541
Colorado State University: Medical, Dental, and Disability Benefits				
2001-02	3,084	7,945	7,452	3,577
2000-01	2,816	8,243	7,975	3,084
1999-00	2,614	4,401	4,199	2,816
Department of Human Services:				
Workers' Compensation				
2001-02	814	-	151	663
2000-01	1,156	-	342	814
1999-00	1,189	-	33	1,156

Component Units

As of October 1, 1989, the University of Colorado Hospital Authority began self-insuring against malpractice claims in excess of coverage provided by the University of Colorado Self Insurance Risk Management Trust in which the hospital participates. For Fiscal Year 2000-01, the hospital recorded premium and administrative expenses of \$333,000. The trust had a fund balance of \$2.5 million in excess of reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for employee health, dental, and accident claims through the University of Colorado and commercial insurance companies.

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2001 and 2000. There were no significant reductions in insurance coverage from the prior year.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most all risks of loss. No claims have been made against this commercial coverage in any of the past three fiscal years.

NOTE 23 – LEASE COMMITMENTS

Primary Government

The state may enter lease or rental agreements for buildings or equipment. All leases contain clauses indicating that continuation of the lease is subject to funding by the legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancelable for financial reporting purposes.

In prior years, balances related to certificates of participation (COPs) were reported as capital leases. In Fiscal Year 2001-02, balances related to certificates of participation are reported as part of Notes, Bonds, and COPs Payable; therefore, the debt service requirements to maturity for leases is significantly lower than in prior years.

At June 30, 2002, the state had the following amounts of gross assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

			Equipment
	Land	Buildings	and Other
Governmental Activities	\$ -	\$ -	\$ 10,273
Business Type Activities	5,940	45,120	12,765
Total	\$ 5,940	\$45,120	\$ 23,038

At June 30, 2002, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Suh	lease	Ren	tals

	Capital	Operating	Total
Governmental Activities	\$ -	\$ 1,970	\$ 1,970
Business Type Activities	9,948	170	10,118
Total	\$ 9,948	\$ 2,139	\$ 12,087

During the year ended June 30, 2002, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital		Oper	ating	Total		
Business Type Activities	\$	-	\$	9	\$	9	
Total	\$	-	\$	9	\$	9	

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the three institutions governed by the State Board of Agriculture in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University System is subleasing space from the foundation. The total obligation at June 30, 2002, is \$464,000. Colorado State University is also subleasing space from the foundation. The total obligation at June 30, 2002, is \$4,346,000, with average annual lease payments of \$1,842,000. The university and the system are also leasing equipment from the foundation and have a total lease obligation of \$562,000 with terms ranging from one to six years.

Fort Lewis College leases assets from the Fort Lewis College Foundation and had a lease payable of \$275,710 at June 30, 2002.

Morgan Community College made lease payments of \$66,950 to the Morgan Community College Foundation for classroom facilities.

Auraria Higher Education Center made payments of \$53,000 to the Auraria Foundation for rent in connection with the use of the foundations facilities by third parties.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the results of the lease agreements are not reflected in the assets or liabilities of the fund.

For Fiscal Year 2001-02, the state had building and land rental expenditures of \$32.3 million and \$20.7 million from governmental and business-type activities, respectively. The state recorded equipment and vehicle rental expenditures of \$9.9 million and \$16.0 million from governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state motor pool. The state recorded \$1.1 million and \$.7 million of lease interest costs in governmental and business-type activities, respectively.

The \$4.7 million of capital lease proceeds shown on the fund-level *Combined Statement of Revenues, Expenditures, and Changes in Fund Balance* primarily represents lease financing of computers by the Department of Human Services and laboratory and fingerprint identification equipment leased by the Department of Public Safety. An equivalent amount of capital outlay expenditure is recognized at the inception of the lease, and therefore, there is no impact on fund balance.

Future minimum payments at June 30, 2002, for existing leases were as follows:

(Amounts in Thousands)

	Operatin	ig Leases	Capital Leases				
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities			
2003	\$ 26,408	\$ 13,254	\$ 1,504	\$ 6,606			
2004	22,082	10,468	950	5,759			
2005	18,510	7,857	628	4,947			
2006	14,084	5,549	546	4,473			
2007	10,351	2,946	255	3,726			
2008 to 2012	18,117	9,337	-	14,198			
2013 to 2017	51	5,481	-	14,048			
2018 to 2022	-	-	-	13,247			
2023 to 2027	-	-	-	10,087			
2028 to 2032	-	-	-	4,188			
2033 to 2037	-	-	-	164			
Total Minimum Lease Payments	109,603	54,892	3,883	81,443			
Less: Imputed Interest Costs			411	34,219			
Present Value of Minimum Lease Payment	\$ 109,603	\$ 54,892	\$ 3,472	\$ 47,224			

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease. Total rental expense for the year ended December 31, was \$99,167 in both 2001 and 2000. The minimum annual rental commitment under this lease is \$113,024 for 2002.

The University of Colorado Hospital Authority leases certain equipment under noncancelable operating leases. Rental expense for operating leases approximated \$6.0 million and \$5.8 million for Fiscal Years 2000-01 and 1999-00, respectively. Future minimum lease payments for these leases at June 30, 2001, are:

(Amounts in Thousands)

Fiscal Year	Amount
2002 2003 2004 2005 2006 Thereafter	\$ 6,148 689 662 662 571 1,149
Total Minimum Obligations	\$ 9,881

NOTE 24 – SHORT-TERM DEBT

The State Treasurer issued tax revenue anticipation notes in the amount of \$150.0 million on July 3, 2001, and \$600.0 million on October 12, 2001. The notes were issued primarily for cash management purposes, and were repaid before June 30, 2002, as required by the State Constitution.

The University of Colorado issues tax exempt commercial paper for the purpose of financing capital construction projects.

The following schedule shows the changes in short-term financing for the period ended June 30, 2002:

(Amount in Thousands)

	Beginr Balan	_	Char	nges			ding ince
	July	1	Additions	Reductions		Jun	e 30
Governmental Activities							
Tax Revenue Anticipation Notes	\$	-	\$ (750,000)	\$	750,000	\$	-
Business Type Activities							
Tax Exempt Commercial Paper	18,5	89	13,000		(31,589)		-
Total Short-Term Financing	\$ 18,5	89	\$ (737,000)	\$ (737,000) \$ 718,411		\$	-

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

Many Higher Education Institutions, the Highway Fund, the State Nursing Homes, and the Colorado Student Obligation Bond Authority have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student borrowing. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. During Fiscal Year 2001-02, the state's governmental activities had \$66.8 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. The state's business-type activities had \$331.2 million of available net revenue after operating expenses to meet the \$80.9 million of debt service requirement related to these bonds.

On June 24, 2002, The Colorado Department of Transportation issued Transportation Revenue Anticipation Notes, Series 2002 (TRANs) in the amount of \$208,300,000. Voters authorized the issuance in the November 1999 election. Before the November 1999 vote, the Colorado Supreme Court determined that the TRANs do not constitute general obligation debt of the state. The TRANs have terms varying from 4 to 15 years and interest rates ranging from 3.0 percent to 5.375 percent. The TRANs are payable solely from certain federal and state funds annually allocated by the State Transportation Commission.

The state recorded \$132.1 million of interest costs of which \$77.3 million was recorded by governmental activities and \$54.9 million was recorded by businesstype activities. The governmental activities interest cost is primarily related to \$13.2 million on tax revenue anticipation notes issued by the Department of Treasury, \$61.7 million on transportation revenue anticipation notes issued by the Department of Transportation, and \$1.7 million on certificates of participation issued by the Department of Personnel and Administration. business-type activities interest cost is primarily related to \$22.8 million on revenue bonds issued by Higher Education Institutions, \$20.8 million on bonds issued by the Colorado Student Obligation Bond Authority, and \$11.1 million on bonds issued by the Colorado Guaranteed Student Loan Program.

Annual maturities of notes and bonds payable are as follows:

(Amounts in Thousands)

	Governmental Activities											
Fiscal Year		Revenu Principal	Revenue Bonds Principal Interest			Cert.of P	arti	cipation Interest		Totals Principal Interest		
2003 2004 2005 2006 2007 2008 to 2012 2013 to 2017	\$	3,985 3,250 5,870 86,135 90,630 530,730 511,510	\$	67,157 67,126 66,957 66,651 62,156 233,198 72,194	\$	15,545 17,015 14,465 9,435 5,645 2,160	\$	1,894 1,592 1,050 547 233 55	\$	19,530 20,265 20,335 95,570 96,275 532,890 511,510	\$	69,051 68,718 68,007 67,198 62,389 233,253 72,194
Subtotals		1,232,110		635,439		64,265		5,371		1,296,375		640,810
Unamortized Prem/Discount Totals	\$	50,783 1,282,893	\$	635,439	\$	444 64,709	\$	- 5,371	\$	51,227 1,347,602	\$	- 640,810
		, . ,,	т	,	т	. ,	r	-, ,	т_	,- ,	т	,,,

(Amounts in Thousands)

	_	
Business	Type	Activities

Fiscal	Revenue	Bonds	Notes Payable Mortgages Payable			ges Payable	Cert	of Partic	cipation	Totals		
Year	Principal	Interest	Principal	Interest	Principa	l Interest	Princ	ipal	Interest	Principal	Interest	
2003	\$ 91,678 \$	41,496	\$ 322	\$ -	\$ 46	\$ 20	\$ 4,9	45 \$	2,379	\$ 96,991	\$ 43,895	
2004	51,687	39,749	143	-	48	18	5,2	95	2,159	57,173	41,926	
2005	50,603	38,021	139	-	51	15	5,6	85	1,915	56,478	39,951	
2006	50,014	36,292	139	-	53	12	9,2	90	1,530	59,496	37,834	
2007	55,561	34,353	147	-	56	10	2,0	80	1,238	57,844	35,601	
2008 to 2012	228,803	140,125	172	-	129	10	7,9	00	5,196	237,004	145,331	
2013 to 2017	124,552	94,507	-	-	-	-	7,5	25	3,729	132,077	98,236	
2018 to 2022	109,346	72,687	-	-	-	-	5,6	45	2,243	114,991	74,930	
2023 to 2027	224,426	46,262	-	-	-	-	5,0	15	1,095	229,441	47,357	
2028 to 2032	55,830	19,772	-	-	-	-	1,1	65	60	56,995	19,832	
2033 to 2037	198,350	9,125	-	-	-	-		-	-	198,350	9,125	
Subtotals	1,240,850	572,389	1,062	-	383	85	54,5	45	21,544	1,296,840	594,018	
Unamortized												
Prem/Discount	(201)	-	-	-	-	-	4	46	-	245		
Totals	\$1,240,649	572,389	\$ 1,062	\$ -	\$ 383	\$ 85	\$ 54,9	91 \$	21,544	\$1,297,085	\$ 594,018	

Component Units

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2001, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2002	\$ 26,275	\$ 26,724	\$ 52,999
2003	27,310	25,839	53,149
2004	28,100	24,593	52,693
2005	28,940	23,256	52,196
2006	30,200	21,889	52,089
2007 to 2011	162,445	86,113	248,558
2012 to 2016	139,555	44,657	184,212
2017 to 2021	80,480	12,314	92,794
2022 to 2026	6,700	435	7,135
Total Future Payments	\$ 530,005	\$ 265,820	\$ 795,825

Total interest paid during 2001 amounted to \$27,164,122.

All of the Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation. The authority has provided a Debt Service Bond Reserve Fund of \$8.5 million that is represented as a restricted net asset.

(Amounta in Thousands)

During Fiscal Years 2000-01 and 1999-00, the University of Colorado Hospital Authority met all the financial ratio requirements of its bond indenture. Cash paid for interest by the hospital in Fiscal Years 2000-01 and 1999-00 approximated \$12.5 million and \$13.1 million, respectively. Total interest cost capitalized in Fiscal Year 2000-01 amounted to \$2.0 million, which is net of \$1.9 million in investment income from the unexpended bond funds. The aggregate maturities of long-term debt for University of Colorado Hospital Authority at June 30, 2001, are:

(Amounts in Thousands) Year	
2002	\$ 3,430
2003	4,170
2004	4,350
2005	4,545
2006	4,770
Thereafter	226,355
Total Long-Term Debt Payments	247,620
Less: Unamortized Discount	(3,325)
Deferred Amount on Refunding of	
Series 1997A Bonds	(8,004)
Total Carrying Amount of Long-Term Debt	\$ 236,291

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

Changes in long-term liabilities are summarized as follows:

(Amount in Thousands)

	Beginning Balance July 1	Cha Additions	nges Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities	July 1	7100110115	Reductions	Julie 30	One rear
	\$ 14	d 1	\$ 3	\$ 12	#
Deposits Held In Custody For Others	т	\$ 1		'	\$ -
Accrued Compensated Absences	116,254	2,998	5,401	113,851	4,298
Claims and Judgments Payable					35,576
Capital Lease Obligations	50,315	7,724	55,864	2,175	1,298
Notes, Bonds, COP's Payable	1,028,880	312,365	13,173	1,328,072	19,530
Other Long-Term Liabilities	256,328	24,126	17,420	263,034	-
Total Governmental Activities Long-Term Liabilities	1,451,791	347,214	91,861	1,707,144	60,702
Business Type Activities					
Accrued Compensated Absences	105,434	26,221	10,528	121,127	8,526
Capital Lease Obligations	82,489	10,982	50,535	42,936	3,840
Notes, Bonds, COP's Payable	1,053,035	315,061	168,225	1,199,871	97,214
Other Long-Term Liabilities	107,491	42,134	5,598	144,027	<i>.</i> -
Total Business Type Activities Long-Term Liabilities	1,348,449	394,398	234,886	1,507,961	109,580
Fiduciary Activities					
Deposits Held In Custody For Others	60,835	44,074	43,389	61,520	-
Accrued Compensated Absences	27	8	2	33	-
Claims and Judgments Payable	_	_	_	_	538
Other Long-Term Liabilities	1,652	530	91	2,091	-
Total Fiduciary Activities Long-Term Liabilities	62,514	44,612	43,482	63,644	538
Total Primary Government Long-Term Liabilities	\$ 2,862,754	\$ 786,224	\$ 370,229	\$ 3,278,749	\$ 170,820

Long-term liabilities that are actuarially determined often include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. See Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.

At June 30, 2002, the following obligations were classified as other long-term liabilities on the government-wide *Statement of Net Assets*.

The \$263.0 million shown for governmental activities primarily comprises:

- \$75.6 million of Risk Management claims that are actuarially determined for general liability and workers' compensation which are accounted for in the General Fund on the fund-level statements.
- \$148.1 million of actuarially determined Labor Fund claims related to medical and other benefits primarily for workers injured in private sector employment. The state expects to fund these benefits through future revenues from a special tax on workers' compensation premiums, court awards, and interest income.

- an \$18.0 million judgment against the Department of Health Care Policy and Financing. The judgment was under appeal at June 30, 2002, and therefore had not matured. The Colorado Supreme Court ruled in favor of the plaintive health maintenance organization, and the state paid the judgment in August 2002.
- \$19.7 million of tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund, and payment is not expected within one year.

The \$144.0 million shown for business-type activities primarily comprises:

- \$90.9 million of promises to pay future tuition costs related to the prepaid tuition program of the Colorado Student Obligation Bond Authority.
- \$45.1 million of actuarially determined risk management claims and long-term deferred revenue. The claims are related to the University of Colorado's self-insurance program for general liability, property, workers' compensation, medical benefits, and medical malpractice, and Colorado State University's self-insurance of medical, dental and short-term disability benefits for faculty and staff. The deferred revenue is primarily related to a ground lease at the University of Northern Colorado and advance receipts from a contract entered by the Colorado School of Mines.

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hos	pital Authority				
Bonds Payable	\$ 235,837	\$ -	\$ 2,976	\$ 232,861	\$ 3,430
Colorado Water Resources	and Power Developn	nent Authority			
Bonds Payable	\$ 447,309	\$ 136,840	\$ 82,939	\$ 501,210	\$ 26,275

NOTE 27 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2001-02, debt was defeased in the governmental activities and in the business-type activities.

At June 30, 2002 the remaining balances of amounts previously placed in escrow accounts with paying agents for Higher Education Institutions are as follows:

(Amount in Thousands)

Institution	A	Amount
University of Northern Colorado	\$	38,880
University of Colorado		15,945
Western State College		10,400
School of Mines		9,380
Fort Lewis College		7,902
Pueblo Community College		2,840
Colorado State University		2,875
Red Rocks Community College		2,650
Adams State College		260
Arapahoe Community College		85
University of Southern Colorado		10
Total	\$	91,227

During Fiscal Year 2001-02 the Department of Personnel and Administration refunded \$9,630,000 of State of Colorado Refunding and Acquisition Projects, Series 1992 certificates of participation by issuing \$10,140,000 of State of Colorado 2002B Refunding Project, Series 2002B certificates of participation. The retired certificates had interest rates ranging from 5.5 to 5.75 percent and remaining term of 3.5 years. The new certificates interest rates range from 2.0 to 3.15 percent, and have a term of 3.16 years. The department increased its debt service cash flows by \$11,890 and reported an economic gain of \$186,531. The transaction resulted in an accounting loss of \$510,000 that the department will amortize over the term of the new debt.

During Fiscal Year 2001-02, the University of Northern Colorado defeased \$28,295,000 of its Auxiliary Facilities

System Revenue Improvement Bonds - Series 1997 by issuing \$30,023,519 of its Auxiliary Facilities System Revenue Improvement Bonds - Series 2001. The debt defeased had interest rates ranging from 4.88 to 5.63 percent and remaining terms ranging from 1 to 23 years. The new debt has interest rates ranging from 3.00 to 5.50 percent and remaining terms ranging from 1 to 30 years. The university increased its debt service cash flows by \$11,363,892, and it incurred an economic loss on the transaction of \$460,448. The transaction resulted in an accounting loss of \$1,743,187, which the university will amortize over 23 years.

Component Units

Total debt service, including principal and interest, remaining for the Denver Metropolitan Major League Baseball Stadium District's in-substance defeased debt was \$75.5 million at December 31, 2001. The amortized cost of the related escrow securities was \$70.2 million.

At December 31, 2001, the Colorado Water Resources and Power Development Authority had \$66.8 million of bonds previously issued but defeased, and thus, not reflected in bonds payable. During the year, the authority issued \$51.62 million of revenue bonds to advance refund portions of its 1992A, 1992B, 1994A, and 1995A Clean Water Revenue Bonds amounting to \$51.11 million. The difference between the new debt and the carrying amount of the old debt was \$110,000, which is amortized against the new debt over the life of the refunded debt. The refunding resulted in an economic gain of approximately \$4.0 million.

On November 1, 1997, the University of Colorado Hospital Authority issued \$123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. At June 30, 2001, \$106.8 million of bonds outstanding are considered defeased. The refunding resulted in a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2001, the unamortized deferred loss on refunding is \$8.0 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by \$6.5 million and to obtain an economic gain of \$3.7 million.

NOTES 28 THROUGH 29 - DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 28 – PRIOR PERIOD ADJUSTMENTS AND OTHER RESTATEMENTS

Beginning balances on several of the attached financial statements have been restated. Those restatements that are related to corrections of errors or statutory changes are presented in the table below as Prior Period Adjustments. Beginning balances were also restated for accounting changes required by Governmental Accounting Standards

Board Statements No. 34 and 35 and Interpretation No. 6. The amounts presented in the column titled "Measurement Focus and Accrual Adjustments" affect only the government-wide statements.

(Amounts in Thousands)

	GOVE	RNMENTAL ACT	IVITIES	BUSIINESS-TYP	PE ACTIVITIES	
	General	Capital Projects	Other Governmental Funds	Higher Education Institutions	Other Enterprises	Measurement Focus and Accrual Adjustments
Beginning Balances:	\$(426,926)	\$ 416,514	\$ 1,860,140	\$ 3,829,085	\$ 144,152	\$1,935,907
Prior Period Adjustments:	-	(32)	7,641	(48,394)	125,599	(180,224)
Accounting Changes Related to GASB 34 and 35:						
Adjustments Required by Fund Reclassifications	-	-	282	-	-	_
Capital Assets Previously Reported in Trust Funds	-	-	(5,383)	-	-	5,129
Capital Assets Added/(Removed) Due to Changes in Capitalization Thresholds and Addition of Library Collections	-	-	-	10,273	-	(1,006)
Transportation Infrastructure Recognized	-	-	-	· -	=	10,159,321
Accumulated Depreciation as of June 30, 2001	-	-	-	(1,385,542)	(2)	(547,516)
Recognize Liabilities Previously Reported in the General Long-Term Debt Account Group: Compensated Absences Leases Bonds and Other Long-Term Liabilities	- - -	- - -	-	-	- - -	(93,910) (24,774) (1,288,731)
Beginning Balance of Unamortized Debt Premium/Discount	-	-	_	-	-	(43,203)
Risk Management Claims Per GASB Interpretation #6	25,314	-	_	-	-	(25,314)
Record Long-Term Refunds Payable	-	-	_	-	-	(18,149)
Recognize Revenue Related to Deferral of Long-Term Receivables	-	-	_	-	-	30,996
Recognize Deferred Revenues and Expenses Related to Higher Education Summer School Sessions	-	-	-	1,181	-	-
Total Accounting Changes Related to GASB 34 and 35	25,314	_	(5,101)	(1,374,088)	(2)	8,152,843
Beginning Balance Restated	\$(401,612)	\$ 416,482	\$1,862,680	\$ 2,406,603	\$ 269,749	\$ 9,908,526

The beginning fund balance of the General Fund on the *Statement of Revenues, Expenditures and Changes in Fund Balances* was increased by \$25,313,631 to reflect an accounting change dictated by GASB Interpretation No. 6. That statement mandated that recognition of claims expense be independent of the how or when the resources used to pay the claims are accumulated. As a result, the current claims liability recorded in the fund at the end of the prior fiscal year is no longer reported in the fund, but rather, it is reported only on the government-wide accrual basis *Statement of Net Assets*.

The beginning fund balance of the Capital Projects Fund was decreased by \$31,199 when a cash reserve previously reported in the Capital Projects Fund was transferred to the Wildlife Fund. The Wildlife Fund was designated as a TABOR enterprise effective July 1, 2001.

The beginning fund balance of the Other Governmental Funds on the *Statement of Revenues, Expenditures and Changes in Fund Balances* was increased by \$2,540,251. That adjustment comprises the following:

- On the Combining Statement of Revenues, Expenditures and Changes in Fund Balances Permanent Funds, the beginning fund balance was increased by \$4,815,830. This adjustment increased assets to fair value in the Land Fund to properly reflect like-kind exchanges carried out over the past several years; it also recognized land lease revenues that should have been recorded in prior years. The Land Fund was also reduced by \$2,870 for fund reclassifications as a result of GASB Statements No. 34 and 35.
- On the Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds, the Labor Fund beginning fund balance increased by \$6,041,656 to reflect the amortization of investment discounts that were not recorded in prior years. On the same combining statement, the beginning fund balance of the Other Special Revenue Funds decreased by \$9,127,878. A portion of this amount \$5,097,926 was related to the GASB Statement No. 34 and 35 adjustments listed in

the table above. In addition to the GASB 34 and 35 adjustments, fund balance was reduced by \$3,216,438 to remove the capital assets of the Parking Fund, which was reclassified from an Enterprise Fund to a Special Revenue Fund, and to recognize prior revenues of the Disabled Telephone Users Fund, which should have been recorded in the prior year.

On the Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds, the beginning net assets of the Higher Education Institutions Fund decreased by \$1,422,482,200. Most of change was the result of the GASB Statements No. 34 and 35 adjustments shown in the table above. However, adjustments were also made to correct prior year errors. Higher Education Institutions reduced their net assets by \$34,322,061 because they had recognized grant revenue in prior years that should have been deferred until all eligibility requirements of the grants were met

On the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds, the beginning balance of the Wildlife fund increased by \$125,598,899. The increase appears in the Basic Financial Statements in the column titled "Other Enterprises" on the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds. This increase was the result of legislation that designated the Wildlife fund as a TABOR enterprise; the fund was previously reported as a Special Revenue Fund. The increase comprises adjustments for capital assets, leases, and compensated absences that were reported in the account groups in the prior year.

The prior table shows that the implementation of GASB Statements No. 34 and 35 resulted in the statewide governmental activities net assets increasing by \$8,152,695,135. This increase was reduced by net prior period adjustments of \$180,223,688 related to the addition of the capital assets of the parking fund and the removal of the undepreciated capital assets of the Wildlife Fund.

NOTE 29 – FUND EQUITY

In the General Fund, the Reserve for Statutory Purposes includes the fund equity of the state Risk Management Funds. Because there is no plan to fund the actuarial liabilities of the Risk Management Fund, it is accounted for in the General Fund as required by Governmental Accounting Standards Board Statement No. 10. The fund balance reserve, which reflects Risk Management Fund's cash flow needs for the following year, is significantly less than the liabilities of the fund, which are only reported on the government-wide *Statement of Net Assets*.

In the Capital Projects Fund, the Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve and other minor funds that are allowed to retain fund balances in the Capital Projects Fund.

Details of the TABOR Emergency Reserve required by Article X, Section 20, of the State Constitution are presented in Note 8B.

NOTE 30 - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2002, were:

(Amounts in Thousands)

					В	UYERS/BOR	ROWER'S	PAYABLE			
		neral und	Public School	ghway ers Tax	Capital Projects	Higher Education Institutions	ment	Student Obligation Bond Authority	State Lottery	All Other Funds	Total
SELLERS/LENDER'S RECEIVABLE											
GOVERNMENTAL FUNDS:	_										
General Public School	\$	6	\$92 -	\$ 754	\$ - -	\$ 172 -	\$ - -	\$ - -	\$ - 8,500	\$ 35,090 4,170	\$ 36,114 12,670
Highway Users Tax Capital Projects State Lands		735 -	-	215 145	-	2,072	-	-	-	4,778 213 139	5,728 2,430 139
Other Permanent Trust Labor		- 219	-	-	-	- - 38	-	-	- -	10	10 257
Gaming Water Projects			-	-	188	-	-	1	-	4,933 51	4,934 239
Other Special Revenue		508	-	92	=	24	1,306	=	10,969	27,405	40,304
PROPRIETARY FUNDS: Higher Education Institutions Unemployment Insurance	2	2,470 9	-	- -	2,182	154	-	-	-	744 -	5,550 9
Student Obligation Bond Authority Wildlife		10	-	-	-	-	-	-	-	524 1	524 11
Guaranteed Student Loan Corectional Industries		6 47	-	-	67	371	-	-	-	6	6 491
INTERNAL SERVICE FUNDS Central Services Telecommunications		-	- -	- -	-	81 17	-	-	-	- -	81 17
FIDUCIARY FUNDS Treasurer's Private Purpose	34	1,330	-	-	-	-	-	- 30	-	-	34,330 30
College Savings Plan Treasurer's Agency Other Agency Funds		- - 159	- - -	- - -	- - -	- - -	-	30 - -	2,470 -	- - 115	2,470 274
Total	\$ 38	3,499	\$92	\$ 1,206	\$ 2,437	\$ 2,929	\$1,306	\$ 31	\$ 21,939	\$ 78,179	\$ 146,618

The \$21.9 million payable shown for the State Lottery is related to distributions to other state funds that were accrued at June 30,2002, but were paid early in Fiscal Year 2002-03.

The \$34.9 million receivable in the General Fund, which is shown as payable from All Other Funds, is primarily related to the Gaming Fund distribution that was accrued at June 30, 2002, but was paid early in Fiscal Year 2002-03. The Gaming Fund is a nonmajor Special Revenue Fund.

The \$34.3 million receivable in the Treasure's Private Purpose Trust Fund and payable from the General Fund is primarily the result of legislation providing the Governor authority to transfer the assets of the Escheats Fund to the General Fund. However, the net assets of the Escheats Fund were essentially zero because generally accepted accounting principles (GAAP) require recording a liability equal to the expected pay out from the fund. In order to prevent deficit net assets in the Escheats Fund, a receivable was recorded in the fund and a payable was recorded in the General Fund.

The \$27.4 million receivable in the Other Special Revenue funds and shown as payable from All Other Funds is primarily related to a long-term receivable of \$27.2 million recorded by the Water Projects Fund, a nonmajor Special Revenue Fund. The amount is payable from the Severance Tax Trust Fund, an Other Special Revenue Fund. The Water Projects Fund has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund. The loans have terms ranging from 10 to 40 years; however, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed. No other long-term interfund receivable/payable balances are material.

Other balances shown in the schedule above are the result of timing differences between when expenses/expenditures and revenues must be accrued on a GAAP basis and when the payment is actually made.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Operating transfers between funds for the fiscal year ended June 30, 2002, were as follows:

(Amounts in Thousands)

			TRAN	SFER-IN FU	ND			
	-					Colorado		
		State			Higher	Student Bond		
	General	Public	Highway	Capital	Education	Obligation	Nonmajor	
	Fund	School	Users	Projects	Institutions	Authority	Funds	TOTAL
TRANSFER-OUT FUND	•							
MAJOR FUNDS:								
General Fund	\$ 261	\$ 2,088,501	\$ 35,179	\$340,146	\$738,904	\$ -	\$ 10,382	\$ 3,213,373
State Public School Fund	90	-	-	-	-	· -	-	90
Highway Users	28,247	_	3,200	539	_	-	63,768	95,754
Capital Projects	327,916	_	28,803	88	2,949	_	4,626	364,382
State Education		1,176		-	712	_	7,641	9,529
Higher Education Institutions	22,430	-/	_	_		_		22,430
Lottery	372	8,500	-	-	-	-	55,024	63,896
NONMAJOR FUNDS								
SPECIAL REVENUE:								
Labor Fund	211,971	_	_	-	_	-	11,000	222,971
Gaming Fund	34,873	_	4,762	125	_	_	5.113	44,873
Tobacco Litigation Settlement	5,659	1	.,, 02	-	6,875	_	19,060	31,595
Water Projects	5,326	-	_	_	-	_	312	5,638
Other Special Revenue Funds	151,872	22,329	82	3,852	-	-	6,191	184,326
PERMANENT FUNDS:								
State Lands Trust Expendable	182	32,114	_	_	73	_	1,836	34,205
State Lands Trust Nonexpendable	- 102	32,117	_	_	127	_	1,758	1,885
Controlled Maintenance Trust	262,254	_	_	17,277	12,	_	-,,50	279,531
Tobacco Settlement Trust Nonexpendable	138,124		_	17,277	_	_	_	138,124
Other Permanent Trust Nonexpendable	130,124	-	-	-	-	-	105	138,124
ENTERPRISE FUNDS:								
Wildlife	3,740	_	_	_	_	_	_	3,740
Guaranteed Student Loan	167	_	_	_	_	_	_	167
Corretional Industries	503	_	_	_	_	_	_	503
State Nursing Homes	96	_	_	_	_	_	_	96
Prison Canteens	80	-	=	1,005	-	-	-	1,085
INTERNAL SERVICE FUNDS:								
Central Services	806	-	-	-	_	-	-	806
General Government Computer Center	547	-	_	_	_	-	-	547
Telecommunications	792	-	-	_	_	-	-	792
Capitol Complex	426	_	_	_	_	_	195	621
Public Safety	11	_	_	_	_	_	-	11
Administrative Hearings	145	-	-	-	-	-	=	145
FIDUCIARY FUNDS:								
Deferred Compensation	33	-	-	-	_	-	-	33
College Savings Plan	-	-	_	_	_	284	-	284
Group Benefit Plans	7,760	-	_	_	_		-	7,760
Treasurer's Private Purpose	10,992	-	-	-	-	-	1,700	12,692
TOTAL	\$ 1,215,675	\$ 2,152,621	\$ 72,026	\$363,032	\$749,640	\$ 284	\$188,711	\$ 4,741,989

In the normal course of events, the Legislature specifies a large number of transfers between funds exercising its responsibility to allocate the state's resources to pro-However, in Fiscal Year 2001-02, certain grams. appropriated transfers were unusual both in nature and in dollar amount. The state experienced a significant shortfall in projected general revenues during the year. If legislative action had not been taken, the shortfall would have resulted in a deficit General Fund fund balance at June 30, 2002. Such a deficit would have been a constitutional violation. In response to the fiscal stress caused by the shortfall, the Governor and the Legislature authorized significant transfers from various funds to the General Fund including the following:

- \$253.4 million from the Controlled Maintenance Trust Fund, a Permanent Fund.
- \$211.5 million from the Labor Fund, a nonmajor Special Revenue Fund.
- \$138.1 million from the Tobacco Settlement Trust Fund, a Permanent Fund.
- \$81.9 million from Other Special Revenue Funds including: \$30.0 million from the Hazardous Substance Response Fund, \$20.2 million from the Severance Tax Trust Fund, \$15.0 million from the Employment Support Fund, \$4.0 million from the Petroleum Storage Tank Fund, \$5.5 million from the Species Conservation Fund, a combined \$1.5 million from the Trade Name Fund and the Colorado Dealer

License Board Fund, and \$1.2 million from the Secretary of State Fees Fund.

- \$18.4 million from the Fitzsimmons Trust Fund, a Higher Education Institutions Fund.
- \$7.4 million from the Group Benefits Plan, a Pension and Other Employee Benefits Fund.
- \$5.4 million from the Tobacco Litigation Settlement Fund, a nonmajor Special Revenue Fund.
- \$4.5 million from various Other Special Revenue Funds including the Uniform Consumer Credit Code Fund, the Collection Agency Board Fund, the Children's Basic Health Plan Fund, the Disabled Telephone Users Fund, the Persistent Drunk Driver Fund, the State Rail Bank Fund, the Environmental Leadership Fund, the Waste Tire Recycling Fund, and the Support Registry Fund.

The legislation that authorized certain of the above listed transfers specified that the amounts would be repaid to the various funds in the event that Fiscal Year 2002-03 General Fund revenues were adequate. The amounts shown above for the Labor Fund and the Tobacco Settlement Trust Fund were transferred from the General Fund to those funds in early Fiscal Year 2002-03. However, \$291.0 million was subsequently transferred from these funds and the Employment Support Fund to the General Fund during Fiscal Year 2002-03. The statutory language specifying that the General Fund repay the various cash funds would normally require that the transfer of cash be recorded as a payable in the General Fund. However, the subsequent transfer to the General Fund of the repaid amounts demonstrated that the movement of the funds was in substance a transfer of resources rather than a borrowing by the General Fund. See Note 30 for information on the one instance in which a payable was recorded in the General Fund related to these unusual transfers.

Under generally accepted accounting principles (GAAP) requirements for classifying funds, Pension and Other Employee Benefits Trust Funds, Private Purpose Trust Funds, and Permanent Funds are normally considered to be unavailable for General Fund purposes. Transfers from these fund types to the General Fund brings into question whether the funds are properly classified. The state has chosen to present these funds using the classifications under which they entered the fiscal year for the following reasons:

- Most of the transfers were made at or near fiscal year end, and therefore, the fund classification was correct throughout the fiscal year,
- Changing the classification for financial statement presentation would have obfuscated the tracking of restricted balances from the old reporting model to the new reporting model,

 Reclassifying the funds to other fund types would have resulted in less disclosure on the face of the financial statements

In addition to these transfers the state transferred \$256.8 million from the General Fund to the Capital Projects Fund at the beginning of the fiscal year that was exempt from the limit on growth in General Fund expenditures. In response to the revenue shortfall, the state transferred \$327.8 million back from the Capital Projects Fund to the General Fund, including \$17.5 of interest earnings on Capital Projects Fund cash. The state then transferred \$79.1 from the General Fund to the Capital Projects Fund that counted toward the constitutional limit on growth in General Fund expenditures. These transactions resulted in a net transfer from the General Fund to the Capital Projects Fund of \$8.1 million.

On the budget basis, additional fiscal stress relief was achieved by legislative action eliminating the previously required reservation of four percent of General Fund expenditures. See Note 6H for information on the required reserve.

Component Units

The Colorado Water Resources and Power Development Authority held \$42.4 in an agency fund that it had pledged to support the construction of the proposed Animas-La Plata dam and reservoir in Southwest Colorado. In December 2000, Congress authorized a much smaller Animas-La Plata project. As a result, the authority contributed \$37.9 million from the agency fund to the authority's Enterprise Funds. The agency fund is not presented in the State's financial statements.

NOTE 32 – ON-BEHALF PAYMENTS AND UNUSUAL OR INFREQUENT TRANSACTIONS

The Governor's Office of Innovation and Technology received on-behalf payments in the amount of \$326,660 for salaries. The Governor's Office was not legally responsible for payment of these salaries, and it recorded equivalent amounts of revenue and expenditure for these payments in the General Fund. However, these revenues and expenditures were not included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis Budget and Actual – General Fund.

The government-wide *Statement of Activities* shows an extraordinary expense of \$21.0 million. The expense was reported only at the government-wide level because it does not qualify as a current liability in a governmental fund. The balance represents an expense recorded to recognize a liability resulting from a United States Supreme Court decision. The Court decision requires the State of Colorado to pay damages to the State of Kansas related to water rights.

The State of Colorado is appealing the amount of damages claimed by the State of Kansas; the state recorded the \$21.0 million as an estimate of the final settlement amount

NOTE 33 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments because there is no state law that governs that spending.

The University of Colorado reported net appreciation on endowment investments of \$4.4 million that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. For Fiscal Year 2001-02, the authorized spending rate was equal to the greater of 4 percent of the prior month's market value, or 4.5 percent of the average market value of endowment investments at the end of the previous three years.

Colorado State University reported \$120,685 of net appreciation on its donor restricted endowments, and the full amount was available for expending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The Colorado State University Foundation investment committee manages the endowment investments and has the discretion to distribute investment income to meet current or special needs.

The University of Northern Colorado reported \$42,981 of net appreciation on donor restricted endowments with \$35,724 available for expending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The university's policy on spending endowment earnings is to make available 4.5 percent of a three year moving average of the book value of investments at June 30.

NOTE 34 – SEGMENT INFORMATION

Primary Government

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. The purpose of each of the state's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the state's segments are separately reported on the government-wide *Statement of Activities*. The following paragraphs describe the state's segments.

The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CSOBA is not presented because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Fund Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions Segments:

The University of Colorado research activities segment charges for research services.

The University of Southern Colorado student activities segment charges students fees for programs and facilities provided at the campus. The university's recreational and childcare segment charges students fees for recreational facilities and programs as well as fees for childcare services and facilities.

The Colorado School of Mines auxiliary housing segment charges students for housing. The School of Mines' general research facilities segment charges rent to research programs.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities.

Condensed financial information for the state's segments for the year ended June 30, 2002, is:

CONDENSED STATEMENT OF NET ASSETS

NET INCREASE (DECR.) IN CASH AND POOLED CASH

CASH AND POOLED CASH, FISCAL YEAR BEGINNING

CASH AND POOLED CASH, FISCAL YEAR END

		UNIVERSITY OF COLORADO		RSITY OF N COLORADO	COLORADO SCHOOL OF MINES		A HIGHER ON CENTER
(DOLLARS IN THOUSANDS)	CTATE			DECDEATIONAL	CENEDAL		
	STATE FAIR AUTHORITY	RESEARCH ACTIVITIES	STUDENT ACTIVITIES	RECREATIONAL AND CHILDCARE FACILITIES	GENERAL RESEARCH FACILITIES	PARKING FACILITIES	STUDEN [®] FACILITIE
ASSETS: Current Assets	\$ 1,065	\$ -	\$ 473	\$ 1,387	\$ 6,938	\$ 9,167	\$ 8,54
Due From Other Funds	-	261	ф 4 /3	· · · · -	\$ 0,936 -	-	
Other Assets Capital Assets	253 11,170	23,153 53,857	- 1,771	1,119 3,598	- 4,159	8,345 18,994	51 16,34
Total Assets	12,488	77,271	2,244	6,104	11,097	36,506	25,40
LIABILITIES:	1.562	2 522	225	036	F16	2.021	2.04
Current Liabilities Due To Other Funds	1,562 9	3,523	325 -	936 119	516 -	2,031	2,04
Noncurrent Liabilities	1,828	21,900	-	3,650	10,860	21,718	16,09
Total Liabilities	3,399	25,423	325	4,705	11,376	23,749	18,13
NET ASSETS: Invested in Capital Assets , Net of Related Debt Restricted for Permanent Endowments:	9,129	28,695	-	-	(279)	3,528	26
Other Restricted Net Assets Unrestricted	(40)	23,153	1,919	1,399	-	9,230	30 6,71
Total Net Assets	\$ 9,089	\$ 51,848	\$ 1,919	\$ 1,399	\$ (279)	\$ 12,758	\$ 7,27
AND CHANGES IN NET ASSETS OPERATING REVENUES: Tuition and Fees	\$ -	\$ -	\$ 304	\$ 1,381	\$ -	\$ -	\$ 4,24
Sales of Goods and Services Other	6,678 1,437	2,982 279	\$ 304 - 6	6,184 24	- -	6,857	20,76 17
Total Operating Revenues	8,115	3,261	310	7,589	-	6,857	25,18
OPERATING EXPENSES:							
Depreciation Other	707 7,812	3,596 5,095	- 150	239 6,076	- 81	664 4,342	1,10 20,65
Total Operating Expenses	8,519	8,691	150	6,315	81	5,006	21,76
OPERATING INCOME (LOSS)	(404)	(5,430)	160	1,274	(81)	1,851	3,42
NONOPERATING REVENUES AND (EXPENSES):	(,	(=, :==,		-,-	(/	_,	-,
Investment Income	43	(1,017)	38	92	-	578	12
Gifts and Donations Other Nonoperating Revenues	-	-	39 -	302	-	-	
Debt Service Other Nonoperating Expenses	(153)	(1,255)	(135)	(1) (853)	(198)	(882)	(92
Total Nonoperating Revenues(Expenses)	(110)	(11,167)	(58)	(460)	(198)	(304)	(79
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions and Additions to Endowments	4,229	-	-	-	-	-	16
Special and Extraordinary Item Operating Transfer-In Operating Transfer-Out	· -	16,384	-	- 831 (1,497)	- - -	(141) - -	(4
Total Contributions, Transfers, and Other	4,229	16,384	_	(666)	-	(141)	20
CHANGE IN NET ASSETS	3,715	(2,485)	102	148	(279)	1,406	2,82
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	5,374	54,333	1,817	1,251	-	11,352	4,44
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 9,089	\$ 51,848	\$ 1,919	\$ 1,399	\$ (279)	\$ 12,758	\$ 7,27
CONDENSED STATEMENT OF CASH FLO	ws						
NET CASH PROVIDED (USED) BY: Operating activities Capital and Related Financing Activities Investing Activities	\$ (39) 134 40	\$ 4,727 (3,472) (1,255)	\$ (475) - -	\$ 533 - -	\$ (81) 7,019 (6,938)	\$ 2,287 (2,770) (2,514)	\$ 4,71 (4,27 31
	-						

135

600

(475) 949 533

854

1,387

(2,997)

13,824

10,827

933

5,709

\$ 6,642

NOTE 35 – COMPONENT UNITS

The state has four component units under the requirements of Governmental Accounting Standards Board Statement No. 14. All of the component units are considered major except CoverColordo, which is presented as the sole nonmajor component unit. Financial statements for the component units are presented in the Basic Financial Statements.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, and federal capitalization grants.

The Denver Metropolitan Major League Baseball Stadium District includes all or part of the six counties in the Denver metro area. The district was created for the purpose of acquiring, constructing and operating a major league baseball stadium. The district levied a sales tax of one-tenth of one percent throughout this district for a period not to exceed 20 years for this purpose. However, the district discontinued the sales tax levy on January 1, 2001 after it defeased all outstanding debt. In June 2001, the district refunded \$11.25 million of the sales tax levy to the six counties because the funds were deemed unnecessary for the expenses and reserves of the district.

University Hospital is a nonsectarian, general acute care regional hospital, with seven outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority. It is the teaching hospital of the University of Colorado Health Sciences Center (UCHSC), a state agency. The hospital's mission is to provide education, research and a full spectrum of primary, secondary and tertiary health care services to the Denver metropolitan area and the Rocky Mountain Region. During Fiscal Year 2001-02, University Hospital paid the UCHSC \$26.8 million, and UCHSC paid University Hospital \$11.1 million. At June 30, 2002, University Hospital owed the UCHSC \$.8 million, and UCHSC owed University Hospital \$1.1 million.

CoverColorado (formerly known as the Colorado Uninsurable Health Insurance Plan) is a nonprofit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of

directors to assess a special fee against insurers for the financial solvency of the program.

NOTE 36 – RELATED ORGANIZATIONS

Primary Government

The Colorado Medical Services Foundation (a related party doing business as University Physicians, Inc.) was established to support patient billing and collections for physician fees for the University of Colorado Health Sciences Center. During Fiscal Years 2001-02 and 2000-01, the university was reimbursed \$102.6 million and \$87.4 million, respectively, from the foundation for salaries, fringe benefits, and related operating costs. The current year amount is reported as revenue and expense of the Higher Education Institutions on the government-wide Statement of Activities and the fund-level Statement of Revenues, Expenses and Changes in Net Assets. In addition, the foundation reimbursed the university \$1.36 million and \$1.10 million for professional liability insurance and administrative costs in Fiscal Year 2001-02 and Fiscal Year 2000-01, respectively. The foundation also provided the university with gift funds of \$9.5 million in Fiscal Year 2001-02. At June 30, 2001, the foundation owed the university \$480,120, which was related to underpayment of salaries, fringe benefits, and other operating costs.

The University of Colorado Foundation, Inc., an unconsolidated affiliated corporation, was established in 1967 as a separate corporation to solicit, collect, and invest donations for the university. The foundation distributed \$46.1 million and \$58.5 million to the university in Fiscal Year 2001-02 and 2000-01, respectively. The University of Colorado is the ultimate beneficiary of substantially all of foundation's endowment funds, which included \$56.1 million and \$58.7 million, respectively, at June 30, 2002 and 2001.

The Colorado State University Foundation was established to receive, manage, and invest philanthropic gifts to Colorado State University. During Fiscal Years 2001-02 and 2000-01, the foundation transferred \$22.2 and \$15.8 million, respectively, to the university.

The Fort Lewis College Foundation was established to assist in promoting, developing, and enhancing the facilities and programs of the college. During Fiscal Years 2001-02 and 2000-01, the foundation transferred \$705,419 and \$972,931, respectively, to the college.

The Adams State College Foundation was established to provide scholarships and work study grants to students, as well as, providing program development grants to Adams State College. The foundation provided \$537,260 and \$1,001,297 in scholarships and grants during Fiscal Year 2001-02 and 2000-01, respectively.

The Mesa State College Foundation was established to provide financial assistance to Mesa State College students and to assist the college in serving educational needs. In Fiscal Year 2001-02, the foundation authorized the transfer of \$275,792 to the college, of which, \$165,992 was due from the foundation at June 30, 2002.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$1.58 million and \$1.32 million of funding to the college in Fiscal Year 2001-02 and 2000-01, respectively. The foundation also reimbursed the college \$92,692 for services provided by college employees.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$1.48 million and \$1.18 million to the college in Fiscal Year 2001-02 and 2000-01, respectively.

Most of the state's community colleges have established foundations to assist in their educational missions. However, none of those foundations make annual transfers to their related colleges in excess of \$200,000.

The University of Northern Colorado Foundation, Inc. was established in February 1966 to promote the welfare, development, growth, and well being of the University of Northern Colorado. The foundation donated \$4.52 million and \$3.65 to the university in Fiscal Year 20001-02 and 2000-01, respectively. At June 30, 2002, \$119,084 was due from the foundation to the university.

The Colorado School of Mines Foundation, Inc. was established in 1928 as a separate corporation to benefit the School of Mines by soliciting, collecting, and investing donations. During Fiscal Years 2001-02 and 2000-01, the school received \$7.1 million and \$9.2 million respectively, from the foundation. The foundation owed the school \$245,646 at June 30, 2002. In the event of the Foundation's dissolution, any remaining assets will be transferred to the Colorado School of Mines.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation at June 30, 2002, and June 30, 2001 were \$2.2 million and \$2.0 million, respectively.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued \$10.86 million of bonds in October 2001 and construction has commenced.

The Auraria Foundation was established to carry out certain financial arrangements related to the statutory mission of the

Auraria Higher Education Center (AHEC). During Fiscal Year 2001-02, the foundation made a capital gift of \$400,000 to AHEC. The foundation also reimbursed AHEC \$152,386 for administrative and printing costs during Fiscal Year 2001-02. At June 30, 2002, \$68,898 was due from the Foundation to AHEC.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Years 2001-02 and 2000-01, the board funded \$16.42 million and \$16.27 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2002, GOCO owed the Department of Natural Resources \$9.12 million.

Component Units

The University of Colorado Hospital Authority provided charity care primarily to individuals meeting federal poverty guidelines valued at \$50.2 million and \$49.9 million for the years ended June 30, 2001 and 2000, respectively. Since, these amounts are not collectible they are not reported as net patient revenue. However, the Hospital Authority received a net state appropriation of \$6.7 million and \$8.1 million in Fiscal Years 2000-01 and 1999-00 respectively for charity care. In addition, the hospital participates in the Colorado Disproportionate Share Hospital Program. The hospital received related reimbursements from the state of \$24.7 and \$18.8 million for the years ended June 30, 2001 and 2000, respectively.

The Hospital Authority and the University of Colorado Health Sciences Center have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education and the U.S. Army approved the transfer of 186 acres of land and buildings at the Fitzsimons Army Medical Center to the University of Colorado in federal Fiscal Year 2002-03. The Army has conveyed 88 acres under quitclaim deeds in advance of the official transfer. The quitclaim deeds include conditions subsequent that if not met provide for reverting the property to the United States. The authority entered a 30-year Ground Lease agreement with the University of Colorado Regents for 18.4 acres with a onedollar annual fee. The agreement provides for renewals up to 99 years, and with certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

Under the Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1990, the Regents have entered into contracts with the hospital for the provision

of services in support of programs and operations of the University of Colorado Health Sciences Center. Amounts of approximately \$27.2 million and \$26.6 million were paid for these services in Fiscal Years 2000-01 and 1999-00, respectively. Other contracts with the Regents for storage facilities, student health services, and research projects resulted in reimbursements of approximately \$6.8 million and \$7.7 million in Fiscal Years 2000-01 and 1999-00, respectively.

The hospital entered certain provider and network management agreements with the TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly CHAMPUS - the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a fiveyear period that began April 1997. As part of the agreements, the hospital purchased a minority interest in TriWest for approximately \$3.3 million. This investment was recorded as "Other Assets" and is accounted for under the cost method. The hospital agreed to secure a letter of credit for \$4.6 million to cover the hospital's share of any potential losses of TriWest. At June 30, 2000, no amounts had been drawn on the letter of credit and it was terminated in August 2001.

The hospital has contracted with University Physicians, Inc. (UPI), a related party, for the administration of various hospital programs and professional laboratory services. The hospital and UPI have also entered other joint arrangements in furthering the missions of both organizations. Amounts of approximately \$23.4 million and \$23.0 million were paid for these programs during Fiscal Years 2000-01 and 1999-00, respectively.

The hospital has negotiated with UPI to assume 30 percent participation in the hospital's investment in TriWest. The hospital is also negotiating with UPI to obtain retroactive payment equal to 30 percent of the hospital's recently extinguished letter of credit commitment. In a separate negotiation, UPI has signed a fee agreement with the Hospital to assume its network management commitments.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$1.45 million and \$1.16 million were billed to CRC for the cost of these services during Fiscal Years 2000-01 and 1999-00, respectively. The hospital also leases certain employees to the Colorado Psychiatric Hospital (CPH), a related party, and provides various clinical and administrative services. Amounts for these services charged by the hospital were approximately \$4.4 million and \$5.8 million during Fiscal Years 2000-01 and 1999-00, respectively. Amounts due from the Health Sciences Center, including CPH and CRC, amounted to \$2.0

million and \$5.8 million at June 30, 2001 and 2000, respectively.

Chartwell Rocky Mountain Region is a Colorado general partnership between the hospital and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain Region was formed to provide home infusion and respiratory services to alternate-site patients. The partnership began in April 1996. The hospital and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain Region.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at \$150,000 per individual and \$600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners and mental patients. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement are unconstitutional, which could result in significant future construction and medical costs that are not subject to reasonable estimation.

The state is the defendant in lawsuits by employees accusing the state of various infractions of law or

contract. These include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying of salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The state is contesting the disallowance related to such audits, and the outcome is uncertain at this time.

The Colorado Student Loan Program, in the event of adverse loss experience, could be liable for approximately 25 percent (\$465.4 million) of the outstanding balance of loans in repayment status. However, the probability of a material loss is remote.

Several health care providers have sued the Department of Health Care Policy and Financing alleging that the department breached contracts because managed care rates were incorrectly calculated. The state lost one of these cases on appeal and paid a settlement early in Fiscal Year 2002-03. In total, the fiscal impact on the state's Medicaid program could reach \$50 million.

The U.S. Environmental Protection Agency has given notice of the state's potential responsibility under CERCLA. Responsibility for clean up costs has not been apportioned between the Colorado School of Mines and other potential responsible parties that include non-state parties.

The state has been sued for unlawful taking of property in relation to the Colorado Oil and Gas Commission's action to close oil wells for violations of Commission rules. Damages of \$2 billion are sought; however, the amount of a potential award cannot be estimated.

At June 30, 2002, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$682.1 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thus, require the state to pay the annuity.

The Colorado Department of Revenue has received a claim for refund of \$60 million of estate taxes and related interest. The department estimates that it will take the federal courts from one to three years to set the refund amount, which may range from zero to the amount claimed. The department routinely has claims for refunds in various stages of administrative and legal review that individually could result in refunds up to \$10 million.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes

provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over \$4.78 billion are outstanding. Of this amount, \$3.44 billion is covered by private insurance.

The Colorado Department of Transportation is in the process of remediating its leaking underground fuel storage tanks and other hazardous wastes at its facilities. The department has estimated that its future costs will be approximately \$20 million, and the process will not be completed until the year 2010.

The State of Kansas has sued the state in the U.S. Supreme Court for alleged violations of the Arkansas River Compact. The case was bifurcated into a liability and a remedy phase. The Supreme Court ruled in favor of Kansas in one of its three claims and a Special Master was appointed. The Special Master's damage-calculation methodology resulted in damages of over \$40 million, which the State of Colorado challenged in the U.S. Supreme Court. The Supreme Court reduced the amount of prejudgment interest included in the calculation, but the remainder of the damages will be set at trial before the Special Master. The state recorded a long-term liability in the amount of \$21.0 million, which is shown on the government-wide Statement of Activities as an extraordinary item. Kansas claims damages of \$54 million and may also seek litigation cost reimbursement that is estimated at \$10.0 million.

The State of Nebraska has named the State of Colorado in a cross-claim suit in relation to the State of Kansas' suit alleging violations of the Republican River Compact. The State of Colorado has filed related claims against Nebraska and Kansas, and Kansas has counter-claimed against Colorado. Nebraska and Kansas have not specified amounts of damages sought, and the amount cannot be estimated at this time. However, all parties have agreed to drop claims against each other for damages prior to 1994, and therefore, damages are likely to be less than the final award in the Arkansas River Compact suit discussed above.

The state is being sued for violation of several Colorado constitutional provisions in a claim that the statutory scheme for funding education provides inadequate funding for special education. The plaintiffs are not seeking damages; however, a declaration that the funding scheme is unconstitutional could result in the need for significant supplemental appropriations. Estimates of the increased cost to the state range from \$120 million to \$300 million.

A suit has been brought against the state alleging that the TABOR refund program (Article X, Section 20, of the State Constitution) violates interstate commerce, equal protection and privileges, and immunity clauses of the U.S. Constitution. It also alleges that the TABOR amendment, under which the refund was made, violates the equal protection and due process clauses of the Colorado Constitution. Damages are indeterminable, but the state has refunded \$3.25 billion since Fiscal Year 1996-97.

The state believes it has a good chance of prevailing in these cases, but the ultimate outcome cannot presently be determined. No provision for any liability that may result has been made in the financial statements.

NOTE 38 – SUBSEQUENT EVENTS

A. NOTE ISSUANCE

Primary Government

On July 2, 2002, the State Treasurer received settlement of \$800.0 million in Tax Revenue Anticipation Notes. The notes are due and payable on June 27, 2003 at an interest rate of 3 percent. The total interest due will be \$23.67 million. The notes are primarily issued for cash management purposes.

On July 21, 2002, WorldCom (MCI) filed for Chapter 11 bankruptcy. The Department of Corrections has a contract agreement with WorldCom for telecommunications services, and the department records sales commission revenue and receivables related to this agreement in the Prison Canteens Fund, a nonmajor Enterprise Fund. Under the bankruptcy requirements, the department cannot pursue collection nor offset payments to WorldCom for \$337,667 and \$149,189 of revenue/receivable for Fiscal Year 2001-02 and 2002-03, respectively.

Component Units

On March 22, 2002, the Governor of the State of Colorado signed legislation that authorized the Colorado Water Resources and Power Development Authority to expand its water project loan program (up to \$100 million per borrower) to include "sewerage facilities, to fund emergency projects, to expand internal transfer capabilities, and to remove the State's moral obligation pledge as security from the authority's bonds."

On April 16, 2002, the Colorado Water Resources and Power Development Authority issued Drinking Water Revolving Fund Revenue Bonds in the principal amount of \$16.32 million dated April 1, 2002. The issuance was a mix of serial and term bonds with interest rates ranging from 3.0 percent to 5.125 percent.

The interest earnings from the state's Unclaimed Property Fund have been used in the past to fund CoverColorado, which provides health care insurance to citizens unable to secure private insurance. The Legislature authorized the State Controller and State Treasurer to move the monies in the Unclaimed Property Fund to the state General Fund at the direction of the Governor. As a result, this funding source was significantly decreased. Based on an actuarial study obtained in May 2002, the board of CoverColorado intends to assess insurers approximately \$9.3 million, which it expects to collect in August 2003.



COLORADO	BASIC FINAL	NCIAI STA'	TEMENTS • 7	7

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 1,962,686	
Income Taxes			3,250,330	
Other Taxes			233,328	
Federal Grants and Contracts			408	
Sales and Services			386	
Interest Earnings			42,808	
Medicaid Provider Revenues			11,171	
Other Revenues			52,895	
Transfers-In			1,417,496	
TOTAL REVENUES AND TRANSFERS-IN			6,971,508	
EXPENDITURES AND TRANSFERS-OUT: Operating Budgets: Departmental:				
Agriculture	\$ 10,280	\$ 10,125	10,118	\$ 7
Corrections	478,169	442,447	443,710	(1,263)
Education	2,286,324	2,271,605	2,270,661	944
Governor	20,428	19,792	19,566	226
Health Care Policy and Financing	1,092,787	1,080,844	1,076,839	4,005
Higher Education	751,235	740,408	740,139	269
Human Services	522,085	490,715	489,121	1,594
Judicial Branch	216,864	214,935	214,667	268
Law	9,826	10,132	9,536	596
Legislative Branch	31,102	30,294	27,842	2,452
Local Affairs	14,548	10,668	10,511	157
Military Affairs	4,097	3,989	3,973	16
Natural Resources	29,164	24,651	24,586	65
Personnel	21,225	25,043	14,028	11,015
Public Health and Environment	34,654	31,979	31,802	177
Public Safety	59,541	56,754	56,597	157
Regulatory Agencies	1,999	1,915	1,914	1
Revenue	189,788	183,410	182,461	949
Treasury	65,611	68,289	68,283	6
Fiscal Year 2000-01 TABOR Refund (Note 8B)	898,700	927,201	927,201	-
SUB-TOTAL OPERATING BUDGETS	6,738,427	6,645,196	6,623,555	21,641

The notes to the required supplementary information are an integral part of this schedule.

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2002 (Continued)

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	4,614	3,629	985
Corrections	(54,743)	25,485	15,309	10,176
Education	-	4,200	3,120	1,080
Governor	-	2,552	1,626	926
Health Care Policy and Financing	2,552	5,191	4,025	1,166
Higher Education	(112,534)	198,203	144,336	53,867
Human Services	(22,332)	25,953	18,068	7,885
Judicial Branch	520	1,348	420	928
Law	36	97	49	48
Local Affairs	(5,000)	1,809	1,312	497
Military Affairs	-	2,481	1,227	1,254
Personnel	4,731	34,426	20,290	14,136
Public Health and Environment	(2,234)	5,221	1,122	4,099
Public Safety	(1,822)	12,676	6,667	6,009
Revenue	(1,018)	2,124	2,002	122
Transportation	(250)	33,834	28,803	5,031
Budgets/Transfers Not Booked by Department	668,107	668,306	668,307	(1)
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	476,013	1,028,520	920,312	108,208
TOTAL EXPENDITURES AND TRANSFERS-OUT	\$7,214,440	\$7,673,716	7,543,867	\$ 129,849

EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT

\$ (572,359)

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 556,511	
Income Taxes			272,900	
Other Taxes			440,458	
Tuition and Fees			646,743	
Sales and Services			861,437	
Interest Earnings			233,014	
Other Revenues			1,730,766	
Transfers-In			4,101,192	
TOTAL REVENUES AND TRANSFERS-IN			8,843,021	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 22,123	\$ 19,828	18,603	\$ 1,225
Corrections	60,532	66,123	53,799	12,324
Education	2,338,665	2,352,056	2,349,726	2,330
Governor	20,753	25,279	7,332	17,947
Health Care Policy and Financing	149,774	185,382	182,865	2,517
Higher Education	1,673,832	1,661,908	1,521,445	140,463
Human Services	736,404	277,180	263,127	14,053
Judicial Branch	66,446	65,817	54,096	11,721
Labor and Employment	838,026	837,942	808,579	29,363
Law	23,899	25,299	23,942	1,357
Legislative Branch	2,181	2,319	2,002	317
Local Affairs	129,281	160,387	90,757	69,630
Military Affairs	2,152	2,152	986	1,166
Natural Resources	295,130	318,660	205,522	113,138
Personnel	369,059	361,857	315,701	46,156
Public Health and Environment	110,912	140,172	103,691	36,481
Public Safety	91,103	94,465	90,532	3,933
Regulatory Agencies	79,012	78,463	74,560	3,903
Revenue	567,894	623,948	550,201	73,747
State	13,065	14,012	13,167	73,747 845
Transportation	442,400	457,153	109,816	347,337
·				
Treasury SUB-TOTAL OPERATING BUDGETS	1,493,549 9,526,192	1,493,549 9,263,951	1,368,519 8,208,968	125,030 1,054,983
	9,320,132	9,203,931	0,200,900	1,034,963
Capital and Multi-Year Budgets: Departmental:				
Corrections	2,696	10,375	5,117	5,258
Education	2,030	209	209	J,2J0 -
Governor	130	3,487	1,237	2,250
Health Care Policy and Financing	19	52	48	4
Higher Education	12,113	73,350	20,249	53,101
Human Services	8,255	10,785	10,528	257
	·		· ·	84,679
Labor and Employment	42,864 107	102,915	18,236	,
Law Natural Posourcos	107 35 302	329 35 536	166 17 222	163
Natural Resources	35,392	35,526	17,222	18,304
Personnel	1,688	32,008	23,882	8,126
Public Health and Environment	-	15,706	1,004	14,702
Public Safety	235	343	342	1 701
Regulatory Agencies	-	1,901	200	1,701
Revenue	11,161	746	740	6
Transportation	2,131,258	1,952,776	880,136	1,072,640
Budgets/Transfers Not Booked by Department	7,301	7,301	7,301	<u>-</u>
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,253,219	2,247,809	986,617	1,261,192
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$11,779,411	\$11,511,760	9,195,585	\$2,316,175

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT

\$ (352,564)

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN: Federal Grants and Contracts			\$3,423,345	
TOTAL REVENUES AND TRANSFERS-IN			3,423,345	
Capital and Multi-Year Budgets: Departmental:	1 240	÷ 5074	2 222	. 2.620
Agriculture	\$ 1,249	\$ 5,871	3,233	\$ 2,638
Corrections	4,434	17,260	10,017	7,243
Education	270,983	426,067	306,108	119,959
Governor	22,110	24,000	16,736	7,264
Health Care Policy and Financing	1,208,770	1,265,679	1,253,622	12,057
Higher Education	1,207	81,398	69,722	11,676
Human Services	504,352	833,562	764,162	69,400
Judicial Branch	2,189	5,136	3,272	1,864
Labor and Employment	88,221	211,916	155,790	56,126
Law	785	932	849	83
Local Affairs	41,941	128,637	48,753	79,884
Military Affairs	113,089	25,310	9,222	16,088
Natural Resources	18,706	40,317	20,197	20,120
Personnel	49	113	72	41
Public Health and Environment	150,007	247,933	177,144	70,789
Public Safety	37,140	87,218	38,092	49,126
Regulatory Agencies	896	2,054	1,314	740
Revenue	1,542	4,764	1,635	3,129
Transportation	289,951	646,402	338,007	308,395
Treasury	-	74,500	50,759	23,741
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,757,621	4,129,069	3,268,706	860,363
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$2,757,621	\$4,129,069	3,268,706	\$ 860,363

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT

\$ 154,639

RECONCILING SCHEDULE ALL BUDGET FUND TYPES TO ALL GAAP FUND TYPES FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)					_	
			GOVERNME	NTAL FUND TYPE	S	
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In: General Cash Federal	\$ 6,618,135 608,496 2,611,839	\$ - 2,154,093 -	\$ - 1,689,598 337,835	\$ 353,373 62,743 39,099	\$ - 289,261	\$ - 991,473 123,490
Sub-Total Revenues and Transfers-In	9,838,470	2,154,093	2,027,433	455,215	289,261	1,114,963
Expenditures/Expenses and Transfers-Out General Funded Cash Funded Federally Funded	6,959,433 605,407 2,611,840	- 2,147,039 -	- 1,775,271 337,835	584,434 72,284 39,099	- 154,096 -	- 1,580,685 122,390
Expenditures/Expenses and Transfers-Out	10,176,680	2,147,039	2,113,106	695,817	154,096	1,703,075
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(338,210)	7,054	(85,673)	(240,602)	135,165	(588,112)
BUDGETARY BASIS ADJUSTMENTS: (Increase)/Decrease in TABOR Refund Increase/(Decrease) for Unrealized Gains/Losses Increase for Budgeted Non-GAAP Expenditures	927,201 9,329 1	- - -	- 4,720 -	- (6,676) -	- (149) -	- 1,360 20,944
Increase/(Decrease) for GAAP Expenditures Not Budgeted Increase/(Decrease) for GAAP Revenue Adjustments Increase/(Decrease) for Non-Budgeted Funds Excess of Revenues and Transfers-In Over	98,030 (89,306)	- - -	(7,267) 7,267 -	11,676 (11,676) -	- - -	(10,388) (201)
(Under) Expenditures and Transfers-Out - GAAP Basis	607,045	7,054	(80,953)	(247,278)	135,016	(576,397)
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1 Prior Period Adjustments Accounting Changes (See Note 28)	(426,926) - 25,314	10,125 - -	1,476,719 - -	416,514 (32)	168,811 - -	1,860,141 7,642 (5,101)
FUND BALANCE/NET ASSETS, JUNE 30	\$ 205,433	\$ 17,179	\$ 1,395,766	\$ 169,204	\$ 303,827	\$ 1,286,285

			OPRIETARY I	FUND 1	TYPES					
HIGHER EDUCATION INSTITUTIONS	MPLOYMENT ISURANCE	ОВІ	TUDENT LIGATION BOND THORITY		STATE OTTERY	EN	OTHER ITERPRISE FUNDS	INTERNAL SERVICE	FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
\$ -	\$ -	\$	_	\$	-	\$	-	\$ -	\$ -	\$ 6,971,508
1,457,135	198,501		43,769		414,119		171,984	88,263	673,586	8,843,021
_	214,296		11,153		-		85,633	-	-	3,423,345
1,457,135	412,797		54,922		414,119		257,617	88,263	673,586	19,237,874
-	-		-		-		-	-	-	7,543,867
1,434,266	505,032		45,219		412,828		157,376	76,369	229,713	9,195,585
	72,425		-		-		85,117	-	-	3,268,706
1,434,266	577,457		45,219		412,828		242,493	76,369	229,713	20,008,158
22,869	(164,660)		9,703		1,291		15,124	11,894	443,873	(770,284)
•	` , ,		,		,		•	•	,	, , ,
_	_		_		-		_	_	-	927,201
(3,850)	-		4,381		218		1,126	25	(40,822)	(30,338)
	-		-		119		2,040	155	-	23,259
(2,838)	-		-		(776)		(6,339)	(9,563)	(3)	72,532
(281)	-		-		-		-	-	-	(94,197)
181,611	-				-		-	-	203,356	384,967
197,511	(164,660)		14,084		852		11,951	2,511	606,404	513,140
3,829,082	824,402		88,374		1,912		144,153	16,354	1,345,059	9,754,720
(48,394)	-		-		-		125,599	-	-	84,815
(1,374,088)	-		-		-		-	-	-	(1,353,875)
\$ 2,604,111	\$ 659,742	\$	102,458	\$	2,764	\$	281,703	\$ 18,865	\$ 1,951,463	\$ 8,998,800

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not accounted for in another fund. The schedule on the following page is presented to facilitate budgetary analysis of the General Fund. It shows how revenues and expenditures on the budgetary basis affect the change in Unreserved – Undesignated Fund Balance on the Balance Sheet. This balance is statutorily referred to as General Fund Surplus. The schedule differs from the General Fund presentation in the Basic Financial Statement as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet — Governmental Funds* as "Reserved for Statutory Purposes". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (See Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative excess general purpose and related augmenting revenues of the state. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific expenditures. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance.

The purpose of this schedule is to identify the General Fund fund balance available for appropriation. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual column.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2002

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					-
Sales and Use Tax	\$1,862,500	\$1,827,900	\$1,867,638		
Other Excise Taxes	98,000	96,900	95,048		
Individual Income Tax, net	3,896,300	3,066,200	3,085,669		
·	· · · · · ·				
Corporate Income Tax, net	328,300	180,000	164,661		
Estate Tax	61,700	72,400	72,518		
Insurance Tax	139,000	151,800	154,589		
Parimutuel, Courts, and Other	47,900	55,800	60,966		
Investment Income	68,800	25,400	25,312		
Gaming	31,600	37,400	34,076		
Medicaid Provider Revenues	7,600	11,200	11,171		
TOTAL GENERAL PURPOSE REVENUES	6,541,700	5,525,000	5,571,648		
ACTUAL DUD CET DECODDED AND EVERNDITURE					
ACTUAL BUDGET RECORDED AND EXPENDITURES:	10 200	10 120	10 110	d 10	d (2)
Agriculture	10,280	10,130	10,118	\$ 12	\$ 62
Corrections	478,169	442,129	443,334	(1,205)	60
Education	2,286,324	2,268,950	2,268,794	156	25
Governor	20,428	19,792	19,566	226	1
Health Care Policy and Financing	1,092,787	1,083,955	1,076,838	7,117	4
Higher Education	764,652	750,030	739,556	10,474	
Human Services	519,085	489,191	487,864	1,327	689
Judicial Branch	216,864	214,887	214,619	268	763
Law	9,826	9,932	9,677	255	317
Legislative Branch	31,102	29,676	27,224	2,452	_
Local Affairs	14,548	10,517	10,361	156	141
Military Affairs	4,097	4,001	3,973	28	16
Natural Resources	29,164	24,695	24,434	261	10
	•	,	•		226
Personnel	15,337	14,155	14,028	127	236
Public Health and Environment	34,654	32,198	31,790	408	645
Public Safety	59,542	56,754	56,597	157	2
Regulatory Agencies	1,999	1,915	1,914	1	=
Revenue	181,420	184,080	182,461	1,619	6
State Treasury	- 31,297	33,110	33,104	- 6	859 -
Appropriation to the Capital Projects Fund	_	79,109	79,109	_	_
Appropriation to the Capital Projects Fund Appropriation to the Highway User's Tax Fund	-	79,109 35,179	79,109 35,179	-	_
Fiscal Year 2000-01 TABOR Refund	909 700	,	•	-	-
riscal fear 2000-01 TABOR Refund	898,700	927,201	927,201	-	
TOTAL ACTUAL BUDGET AND EXPENDITURES	6,700,275	6,721,586	6,697,741	\$ 23,845	\$ 3,826
Variance Between Actual and Estimated Budgets	(9,175)	(7,385)	-		
TOTAL ESTIMATED BUDGET	6,691,100	6,714,201	6,697,741		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(149,400)	(1,189,201)	(1,126,093)		
EXCESS AUGMENTING REVENUES	-	-	3,826		
TRANSFERS:					
Transfer-In from Various Cash Funds		522,755	482,745		
Transfer-In from Controlled Maintenance Trust	244,000	253,500	253,429		
Transfer-In from Capital Projects	-	53,545	310,313		
(Transfer-Out) to the Capital Projects Fund	(302,600)	-	(256,768)		
TOTAL TRANSFERS	(58,600)	829,800	789,719		
	(,)	.,	,		
BEGINNING GENERAL FUND SURPLUS Budgeted Non-GAAP Expenditures	220,600	255,600 -	255,592 1		
GAAP Revenues/Expenditures Not Budgeted	_	_	(102)		
(Increase)/Decrease in Long-Term Asset Reserve	_	_	91		
Budgeted Decrease (Increase) in Statutory 4 Percent	=	=	31		
	(12.600)	212 700	212 660		
Reserve Requirement	(12,600)	213,700	213,668		
ENDING GENERAL FUND SURPLUS	_	109,899	136,702		
Shortfall in Statutory 4 Percent Reserve	226,200	-	_		
Fiscal Year 2001-02 TABOR Liability	(328,900)	_	-		
•		± 100 000	± 120 700		
ENDING GAAP UNRESERVED FUND BALANCE	\$ (102,700)	\$ 109,899	\$ 136,702		

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (See pages 78 to 81). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the state-appropriated amounts are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all funds received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. General-purpose revenues are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in several instances of duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exception. Refunds under Article X, Section 20, (TABOR) of the State Constitution are reductions of revenue for nonbudgetary reporting purposes, but they are shown as expenditures for budgetary purposes. For budgetary purposes, these expenditures are recognized in the year that the refunds are paid, not in the year the refund liability arises. For budgetary purposes, unrealized gains and losses on investments are not recognized as changes in revenue.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of state government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriation made by the General Assembly. The Department of Transportation's portion of the Highway

Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the state into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash funded appropriations, with the exception of capital projects, lapse at year end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet — Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the state agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. The institutions of higher education are appropriated at the governing board level. Statutes allow the Judicial and Executive Branches, at year end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual statements, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and any statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded, supplemental

appropriations of the legislature, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance, and earned federal revenues, are less than cash and federal expenditures, then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

D. BUDGET TO GAAP RECONCILIATION

The Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types (See page 82) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (See pages 78 to 81) relate to the change in fund balances/net assets for the funds presented in the fund level statements (See pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as, bad debt expense and depreciation, are not budgeted by the General Assembly. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual recon-

ciliation as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. These events and transactions are shown in the following reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal budgetary integration in most funds except certain Fiduciary Funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year end unless specifically brought forward to the subsequent year, thus, committing the subsequent year's available appropriation.

NOTE RSI-2. INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, <u>Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments</u>, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense. The state capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation. Assets

accounted for under the modified approach include approximately 22,700 lane miles of roads and 3,699 bridges for which the state has maintenance responsibilities.

In order to use the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.

- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

Roadway

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial	No distress or some indication of initial
	distress, but no appreciable maintenance is	distress, but no appreciable maintenance is
	required. Distress items include low or a small	required. Distress items include low or a
	amount of moderate severity cracking such as	small amount of moderate severity
	transverse, longitudinal, or fatigue. Slight	cracking such as transverse or longitudinal
	rutting in the wheel paths.	or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring routine	Initial distresses are apparent requiring
	maintenance. Distress items include moderate	sealing. Distress items include moderate
	and some high severity cracking such as	and some high severity cracking such as
	transverse, longitudinal, or fatigue. Moderate	transverse or longitudinal or moderate
	rutting in the wheel paths.	corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high	Excessive distresses requiring high
	maintenance or major rehabilitation	maintenance or slab replacement. Distress
	treatments. Distress items include a large	items include a large amount of moderate
	amount of moderate to high severity cracking	to high severity transverse or longitudinal
	such as transverse, longitudinal, or fatigue.	cracking or moderate to severe corner
	Moderate to severe rutting in the wheel paths.	breaks.

Established Condition Level

The expected condition level for roadway was initially established based upon historical trends. The expectation is that 54% of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past five years.

Rating	2001	2000	1999	1998	1997
Good/Fair	54%	54%	51%	58%	62%
Poor	46%	46%	49%	42%	38%

Bridges

Measurement Scale

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of the 3699 bridges under its jurisdiction. The inventory rates bridges including the deck, superstructure, and substructure, using a 10-point scale as follows.

Rating	Description
9	Excellent
8	Very Good
7	Good. Some minor problems
6	Satisfactory. Structural elements show some minor deterioration
5	Fair. All primary structural element are sound but may have minor section loss, cracking, spalling or scour
4	Poor. Advanced section loss, deterioration, spalling, or scour
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action

Established Condition Level

No more than 25% of the bridges shall be rated as "structurally deficient".

Assessed Conditions

"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements, that is, deck, superstructure, or substructure. The following table reports the percentage of bridges whose condition was assessed as "structurally deficient".

Year	Percent
2002	6.6%
2001	6.7%
2000	6.3%
1999	6.5%
1998	5.6%
1997	5.4%

Budgeted and Estimated Costs to Maintain

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2001-02	\$ 751.1	\$ 849.0
2000-01	770.5	691.6
1999-00	936.9	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	\$ 4,180.5	\$ 3,978.3

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain.

Infrastructure maintenance projects by their nature span multiple years, and the related budgets do not lapse at year end. As a result, the Department of Transportation's spending in any fiscal year may be from amounts that were budgeted in the current and/or previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year.

The Department of Transportation issued \$1.295 billion in bonds during Fiscal Years 2001-02 and 2000-01. These additional funds are reflected in the Estimated Spending in the respective period net of \$575 million that relates to capacity improvements, which will be capitalized as infrastructure upon project completion.